



Bristol City Council Ethical and Equitable Investment Policy

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Purpose

The purpose of this policy statement is to provide guiding principles to ensure Bristol City Council (“the Council”) make investments which:

- are consistent with the Council’s values framework and ethical policies (ethical)
- are inclusive and equitable with regards to access to the Council’s investment funding, as well as helping to address economic inequalities (equitable)
- provide a positive social and/or environmental return, in other words have “impact”, alongside financial return where possible

This policy should be regarded as a baseline when making decisions. It is in no way intended to limit projects that seek to tackle different Council objectives in a joined up and innovative way.

Aim

The aim is to use the Council’s investments to support the Council’s vision in playing a leading role in driving an inclusive, sustainable and healthy city of hope and aspiration, one where everyone can share in its success, in line with the council’s corporate strategy and the One City Plan.

To this end, the policy sets out investment principles which mainly based on three aspects:

- who the Council will not invest in (ethical review 1)
- who the Council want to invest in (ethical review 2)
- how the Council will ensure investments are equitable (equitable principles)

These principles are outlined in more detail within the sections ethical review 1, ethical review 2 and equitable principles.

Legislative and Policy Context

Local authority investments are governed by the [Statutory Guidance on Local Government Investments](#) ¹, and the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management Code ². This is set out in further detail in the [Council's annual Treasury Management Strategy](#).

This policy is also complemented by the Council's [Equality and Inclusion Policy and Strategy](#); its [Social Value policy](#); and its commitments to payment of the Living Wage and eradicating [modern slavery](#).

Strategic Alignment

This policy statement aligns to the One City Plan's 'Corporate Strategy and A One City: Economic Recovery and Renewal Strategy' which sets out the following priorities:

- Reduce poverty and inequality
- Increase the city's resilience and environmental sustainability
- Enhance community economic and social wellbeing

In addition, the positive environmental criteria's have been identified with reference to the One City [Climate Strategy](#).

Investment Principles

The Council's Ethical and Equitable Investment policy ensures that investments made will embed the following investment principles:

Principle 1: We will be active owners and incorporate ethical and equitable issues into our investment policies and practices, making sure

¹ Statutory Guidance on Local Government Investments, 3rd edition - https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/678866/Guidance_on_local_government_investments.pdf

² CIPFA: "Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes, 2017 Edition

investments or loans support the Council's policies and objectives on such matters

Principle 2: We will not knowingly undertake direct investments or loans to organisations whose core activities or behaviour include practices which directly pose a risk of serious harm to individuals, groups or the environment or are inconsistent with the mission and values of the Council

Principle 3: We will aspire to make investments that achieve positive social and/or environmental benefit and impact within Bristol alongside financial return

Principle 4: We will seek investees who incorporate ethical and equitable practises into their business practises. Where appropriate, we will actively engage with investees and use our influence to encourage ethical standards, practices, and lines of business acceptable to the Council

Principle 5: We will incorporate equitable principles into our investment policy, to ensure investments reach and benefit disadvantaged groups and communities experiencing greatest inequity and who are typically under-represented when receiving investment

Principle 6: When current service investments or loans mature and funds are returned to the Council, where appropriate we will consider recycling those funds back into investments that deliver ethical and equitable impact

Principle 7: We will explore different ways of working to improve our systems and procedures and remove barriers. This includes collaborative working and partnerships with co-investors and intermediaries to help manage risk and enhance opportunities to deliver positive social and environmental impact, as well as support equitable access to investment

Principle 8: Where practical, we will seek disclosure on positive impact regarding ethical and equitable issues by the entities in which we invest

Principle 9: We will report on our activities and progress towards implementing these Principles

Scope

The Council holds three types of investments:

- Treasury investments, which are short to medium-term investments to manage surplus cash
- Service investments, which are investments made primarily for service benefit or impact - for example investment in a subsidiary and
- Service loans, which are loans made primarily for service benefit or impact - this does not include loans to another local authority as these are categorised as treasury investments.

Whilst grant investments do not fall within the statutory definition of investments as these are not expected to generate profits, due regard to this policy statement should be made when making a decision on grant investments.

The Council's pension fund is held with the Avon Pension Fund administered by Bath and North East Somerset Council. The scheme's funds are invested entirely separately from those of the Council, has its own policy for [Responsible Investment](#) and are subject to separate regulatory regimes to local authority investments. They are therefore not directly governed by this policy. However, the policy can be used to inform the views of the Council's pension representative who feeds into matters such as the pension funds' Responsible Investment policy.

Ethical Review 1

This first ethical review ensures that the Council does not knowingly undertake direct investment or borrowing activities with organisations/Sovereigns whose behaviour or core activities are deemed unethical. This may be controversial business practices which directly pose a risk of serious harm to individuals, groups or the environment, corporate behaviour which is in serious violation of widely accepted international norms, or core activities and behaviour which are inconsistent with the mission and values of the Council.

This review applies to direct investments only, except in the case where the Council has invested in an intermediary specifically to deploy investments and deliver impact. The Council cannot guarantee approved financial institutions will not have clients or branches/offices/subsidiaries in countries that may breach the exclusions list.

In some instances, the Council may allow the counterparty time to achieve compliance over a reasonable timeframe, taking into consideration the risks and opportunities specific to that business and its size and resources. The Council will only proceed with investment if we anticipate that the requirements of the policy will be met within the given timeframe. Any persistent delays in meeting the requirements would result in the Council taking remedial action, which could be to cease funding or exit the investment.

Exclusion List

As part of this review, the Council will exclude from consideration where there are consistent or significant transgressions of the appropriate regulatory framework or a failure to ignore directions of the regulatory body, investments in counterparties which have significant involvement with any of the activities or business practises on the following exclusions list:

Human Rights and Labour

- breaches of human rights principles
- breaches of international labour standards
- supports/are part of oppressive regimes
- modern slavery
- poor Health and Safety records

Environment

- toxic spills and releases
- negative impact on land use, habitats and biodiversity
- contributes to carbon intensive industries
- causes water resource scarcity
- poor supply chain management
- animal testing for cosmetic purposes / unnecessary exploitation of animals

Governance

- bribery/ fraud/ corruption
- violation of international intellectual property rights
- unethical market behaviour and business practise - for example, blocking competition

Controversial Business Activities

- alcohol – relating to manufacture, supply and distribution of alcoholic beverages
- gambling – relating to owning and/or operation of gambling establishments
- tobacco – relating to production, retail, distribution, or supply of tobacco products
- adult entertainment, such as pornography or violent material – relating to distribution and retail of adult entertainment products and/or services
- military or controversial weapons (Arms trade) – relating to manufacture or distribution of weapons
- fossil Fuel extraction
- nuclear industries
- exploitative credit providers – where credit has APR > 100% and provided in way that leads to significant harm to consumers
- third world debt exploitation

Other – for non-treasury investments only

- investments that don't generate any benefits within Bristol

Ethical Review 2

Where practical and applicable, we will prioritise investments that provide positive social or environmental impact by assessing whether they meet the positive criteria listed here. We will also prioritise those which will deliver the most impact (high impact return) and have greatest likelihood of delivering impact (low impact risk). The glossary provides more detailed definitions.

The positive criteria are not an exhaustive list as priorities and policies may change, but they provide a baseline for making investment decisions. Such investments are typically riskier and require longer term investment. Therefore, we will take a balanced portfolio approach, maximising the number of investments that provide positive social and/or environmental impact whilst balancing this with financial risk and return considerations.

Balanced Portfolio Approach

A balanced portfolio approach will enable the Council to have a portfolio of investments that range from investments that deliver no impact but are less financially risky or more liquid (in other words accessible), to investments that deliver impact but are typically more financially risky or less liquid.

Impact is articulated through “Impact return”, the positive measurable impact generated and “Impact risk”, the likelihood that the investment does not achieve the desired impact. Whilst the aim is to transition our investments towards those that deliver impact, having a range of investments helps to diversify and thus reduce financial risk and liquidity issues.

In addition to managing risk, the balanced portfolio will also balance investments that address a range of challenges, from environmental issues to inequality. Appendix 1 sets out a table showing the spectrum of investments within the balanced portfolio, with investments providing greater impact to the right of the table.

This approach, which will be evaluated continuously, is preferable to setting percentage or monetary targets for investment, as this gives greater flexibility to respond to changes in priorities, economic outlook or the investment market as the responsible treasury investment market is still in the early stages of development.

Positive Criteria for Treasury Investments

The following positive criteria will be used to determine whether an investment is given greater priority when considering a range of investments to invest in. For treasury investments, whether priority is

given based on positive criteria will need to be balanced against trade-off on yield since this could impact on the Council's ability to deliver services.

Where practical, ESG (Environmental, Social and Governance) investments that specifically fund ESG-related projects will be favoured over Responsible and Sustainable investments as the former provides direct impact whereas the latter is indirect. Greater priority will be given to investments with local impact and organisations that are living wage employers. Criterion outlined below carrying greater weighting is marked with an asterix*.

Responsible and Sustainable

- *counterparty pays Living Wage
- counterparty has ESG (environmental, social and governance) or Responsible Investment policy
- counterparty has Diversity and Inclusion policy
- counterparty is involved in projects addressing ethical or equitable issues - for example, runs free business support training for SMEs

***ESG Investments**

- *investment specifically funds ethical and equitable projects locally within Bristol area
- investment specifically funds ethical and equitable projects - for example, funds renewable energy or SME businesses in deprived areas

Positive Criteria for Service Investments/Loans

The following positive criterion will be used to determine whether an investment is given greater priority when considering a range of investments to invest in. Some criteria carry greater weighting, indicated with an asterix*, for example, because they support the equitable investment principles. The criteria will be considered alongside the balance of portfolio, impact return, impact risk and alignment with current priorities as set out in the Corporate Strategy.

We will refer to the Social Value policy, National Social Value Measurement Framework, the [TOMs](#), as a means for measuring and scoring impact return.

Reduce Poverty and Inequality

- *targets geographical areas with deprivation or other marker for inequality such as income disparity or ethnicity
- *targets population groups known to be economically disadvantaged or under-represented when receiving investments
Both the above criteria will be linked to the Social Value policy
- *pays Living Wage
- supports tackling homelessness
- supports local employment
- supports the creation and retention of high-quality, sustainable jobs for local people

Increase the City's Resilience and Environmental Sustainability

- *the investment will lead to carbon emissions being reduced – supporting Bristol's Net Zero by 2030 target
- is a responsible buyer of goods and services
- provides jobs and skills related to the green economy
- improves ecology and biodiversity, within Bristol or elsewhere
- contributes to resilient food supply chain, with food and drink produced sustainably

Enhance Community Economic and Social Wellbeing

- *Bristol based investments - local investments focussed on creating impact in the city region, which in turn should create additional economic value in the area
- supports creation, sustainability and growth of micro, small and medium-sized enterprises
- supports local people with opportunities for life-long learning, skills development and experiences of work
- supports the creation, sustainability and growth of local community groups, voluntary groups and social enterprises

- promotes the involvement of local people and organisations in active citizenship such as volunteering and foster caring
- promotes the mental and physical health and well-being of local people
- supports the creation of high quality, affordable and sustainable homes and inclusive public spaces
- investment catalyses further investment into Bristol

Equitable Principles

The equitable investment principles enable investments to be used as a lever to help address equality issues affecting disadvantaged groups and communities in Bristol. The investments are intended to be inclusive and accessible to all.

Principles

We will ensure investments are equitable by applying the following principles:

Engaging with local groups

We will identify and engage with local disadvantaged and under-represented groups to make sure there is awareness of investment opportunities and to build confidence and ability for such groups to apply successfully for investment.

This could be through direct engagement with local communities or indirectly through intermediaries, linking with outreach programmes in order to maximise engagement reach with under-represented groups.

Targeting investment

Through our investment we will empower communities that experience the greatest inequity. We will place greater weighting on investments which invest in communities and enable greater self-determination. By investing in this way, we are building civic and social capital.

We will also favour investments that deliver positive impact around equality issues affecting Bristol, placing greater priority on those that

deliver direct impact, but also recognising that some investments will have indirect impact. For instance, investment which reduces pollution could also address inequalities as less wealthier communities tend to live in areas of higher pollution ³.

Improving success

We will endeavour to identify and remove barriers that prevent local disadvantaged groups from applying and being successful in securing investments. This may include providing support and training to disadvantaged and under-represented groups so they have equal opportunity of success when applying for investments.

Collecting and monitoring equalities data

We collect equalities data specifically around investments to improve our intelligence and ensure we monitor and track progress towards making investment more equitable. Data will also ensure that our targeted investment approach is focussed on the correct areas and groups.

Governance

In order to give effect to its commitment to this policy the Council will:

- apply this policy at the point of investment
- monitor investments thereafter, to review the operation and effectiveness of the policy, including any setting of annual targets
- report progress annually, including any breaches, within the annual Treasury Management Outturn Report

Investment Breaches - Ethical Review 1

Where a counterparty is found in breach of the exclusions list under ethical review 1, the Council will look to divest. Any outstanding investments will be reviewed in accordance with the terms and conditions of the contractual arrangement. A cost benefit appraisal will be undertaken to minimise the cost of prematurely redeeming the investment.

³ [Environmental inequality must not be ignored - GOV.UK \(www.gov.uk\)](https://www.gov.uk)

Depending on the nature of the breach and the investment, the Council may enter into dialogue with the counterparty to allow the counterparty the opportunity and time to address the breach. If the breach is not addressed within a given timescale or the counterparty is not seen to be making any progress, then the Council would look to divest.

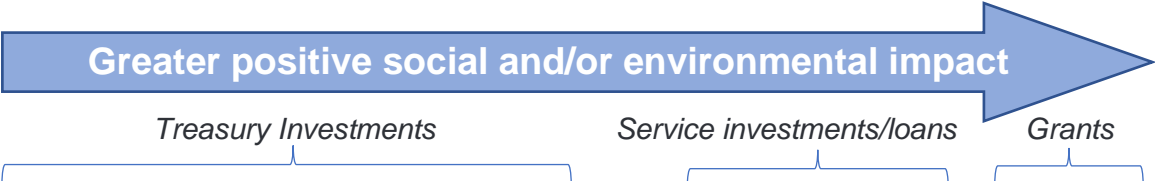
The Chief Finance Officer, Cabinet Member for Finance and the Council's Treasury Management Advisors will be consulted when a breach of the exclusions list has been identified and breaches will be reported through the Treasury Management Outturn Report.

Glossary

Impact return	The positive, measurable social and environmental impact generated by the investment alongside any financial return, such as those outlined in the list of positive criteria under ethical review 2 or in the Council's corporate strategy.
Impact risk	The risk that the investment does not achieve the desired impact. The likelihood that impact will be different than expected, and that the difference will be material from the perspective of the people and the planet who experience such impact.
Service investments	These are investments made primarily for service benefit or impact. Like treasury investments, these are also subject to financial risk considerations around security, liquidity and yield, but these are secondary concerns to service benefit or impact. Service investments could be investments in impact funds, wholly owned subsidiaries or in non-financial assets such commercial property.
Service loans	These are loans repayable with interest made to a third party, joint venture, subsidiary or associates. Like service investments, these are made primarily for service benefit or impact, with financial risk considerations around security, liquidity and yield being secondary. This does not include loans to another local authority as these are categorised as treasury investments.
Treasury Investments	These are investments made using treasury powers under section 15(1)(a) of the Local Government Act 2003 to manage surplus cash. These are typically short-term investments (duration of less than one year), as cash must be accessible as and when

payments need to be made by the organisation. Hence security followed by liquidity are primary financial considerations for local authority treasury investments, as stipulated by the Treasury Management Code. Yield is also a consideration, after security and liquidity, as greater yield means more funding for the Council's services. Due to the restrictions set out in the Treasury Management Code, treasury investments are typically with financial institutions such as banks, building societies and money market funds.

Appendix - Balanced Investment Portfolio



	Treasury Investments			Service investments/loans		Grants
	Classic Investment	Responsible and Sustainable	ESG investment	Classic Investment	Service Investment	Grants
Purpose	Invest primarily for financial return			Invest primarily for Service impact/benefit		
Description	Investment focuses on SLY only	Investment incorporates ESG into its investment approach	Investment has direct impact on environmental, social or governance (ESG) issues	Invest for indirect social benefit/impact	Invest for direct social benefit/impact	Invest for service/ social benefit only (no profit)
Financial risk (security)	Low	Low	Low	Medium	Medium - High	N/A
Liquidity risk (liquidity)	Low	Low	Low	High	Medium - High	N/A
Financial return (yield)	Medium - Low	Medium - Low	Low (often lower vs classic)	Medium - High	Low - High	N/A
Impact risk	High	High	Medium	Medium	Low	Low
Impact return	Low	Low	Medium	Medium	High	High
Examples	Standard treasury investments	For example, Investment counterparty has an ESG or Responsible investment policy	For example, ESG investment that specifically environmental projects	For example, Commercial property	For example, Loan to Community bank	For example, Community Resilience Fund

Figure 1 - Table illustrating balanced portfolio of investments and associated financial and impact risks and returns