

## EXETER CITY COUNCIL

**TREASURY MANAGEMENT –  
ENVIRONMENTAL, SOCIAL AND GOVERNANCE POLICY**

The Council seeks to incorporate Environmental, Social and Governance (ESG) investment considerations into its Treasury Management activity and recognises its role in contributing to the Council's strategic priorities identified in the Corporate Plan. Priority is required to be given to the core principles of Security, Liquidity and Yield (SLY); however, the Council can overlay ESG risks to this process as a fourth priority.

ESG is a developing area with a diversity of market approaches to ESG classification, analysis, and integration. This along with investment in money market funds and banking institutions makes a consistent and developed approach difficult to achieve for public service organisations. Local authorities are not currently required to include ESG scoring or other criteria at individual investment levels into their ESG policies.

This Council is supportive of the Principles for Responsible Investment ([www.unpri.org](http://www.unpri.org)) and will seek to bring ESG factors into the decision-making process for investments. For short term investments with counterparties, this Council utilises the ratings provided by Fitch, Moody's, and Standard & Poor's to assess creditworthiness, which do include analysis of ESG factors when assigning ratings.

Examples are given below of ESG factors that are considered by these Credit Rating Agencies when assigning credit ratings to counterparties.

- **Environmental:** *Emissions and air quality, energy and waste management, waste and hazardous material, exposure to environmental impact.*
- **Social:** *Human rights, community relations, customer welfare, labour relations, employee wellbeing, exposure to social impacts.*
- **Governance:** *Management structure, governance structure, group structure, financial transparency.*

It is important to note that investments may still be made even where ESG concerns have been identified. This is because of the requirement to comply with SLY principles, and in order to achieve a balanced portfolio consistent with counterparty limits. When choosing between two counterparties that both satisfy "security" tests, the additional implementation of an ESG policy could mean that a lower investment rate is achieved by choosing the counterparty that meets the council's ESG requirements. There are a small number of sustainable fixed term deposits available which offer the same yield as the non-sustainable options.

The Council will continue, with support from its Treasury Advisers, to evaluate additional ESG-related metrics and assessment processes that it could incorporate into its investment process and counterparty policies and will update accordingly.