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THE LEGISLATIVE ASSEMBLY FOR
THE AUSTRALIAN CAPITAL TERRITORY

GOVERNMENT RESPONSE
TO THE STANDING COMMITTEE ON PUBLIC ACCOUNTS
REPORT NO 20 OF 2011

INQUIRY INTO THE EXPOSURE DRAFT OF THE FINANCIAL MANAGEMENT (ETHICAL INVESTMENT) LEGISLATION AMENDMENT BILL 2010

Presented by

Mr Andrew Barr MLA

Treasurer

Tabled 20·3·12

ACT Government Response

Government Response to The Standing Committee on Public Accounts Report No 20 of 2011: *Inquiry into the exposure draft of the Financial Management (Ethical Investment) Legislation Amendment Bill 2010.*

Introduction

The Standing Committee on Public Accounts conducted an inquiry into the exposure draft Financial Management (Ethical Investment) Legislation Amendment Bill 2010 which would provide for ethical investment strategies that promote socially responsible investment. The main objectives of the bill are to prescribe the standards and priorities for the investment of public funds by the ACT Government. The Public Accounts Committee's report was tabled on 9 December 2011.

This Government Response addresses the nine recommendations of the Public Accounts Committee's review of the exposure draft Bill. The Government has agreed with three recommendations, four in principle, and two recommendations are noted.

Response to Committee Recommendations

Recommendation 1

The Committee recommends that the proposed Financial Management (Ethical Investment) Legislation Amendment Bill 2010 not be tabled in the ACT Legislative Assembly, and if tabled, not supported by the ACT Legislative Assembly.

ACT Government Position

Agreed

The Government supports this recommendation. Further developments and enhancements to the Territory's responsible investment practices can be achieved and articulated through amendments to current investment management policies and guidelines.

Recommendation 2

The Committee recommends that the ACT Government table in the ACT Legislative Assembly its 2009; 2010 and 2011 United Nations Principles of Responsible Investment annual reporting and assessment survey responses.

ACT Government Position

Noted

The Territory's 2009, 2010 and 2011 Annual Reporting and Assessment survey responses are available publicly at the United Nations Principles of Responsible Investment website http://www.unpri.org/reporting/result.php. Members of the Assembly are able to source this information from that site.

Recommendation 3

The Committee recommends that the ACT Government report annually (as an appendix to the Treasury Directorate annual report) on changes it has made to its investment portfolio as a consequence of its signatory status to the United Nations' Principles of Responsible Investment, for example, divestment of shares and changes to investment practices.

ACT Government Position

Agreed

The Government will continue to report on the financial and responsible investment activities of the Territory as part of Treasury Directorate's Annual Report.

Recommendation 4

The Committee recommends that the ACT Government, as an institutional investor should actively pursue a policy of responsible investment with selective use of exclusion-based or negative screening strategies in the context of public policy.

ACT Government Position

Agreed-in-principle

The Government supports a policy of responsible investment and will continue to implement changes to investment policies and practices as considered appropriate. The introduction of a selective, exclusion-based screening strategy will be incorporated in the responsible investment policy.

Recommendation 5

The Committee recommends to ensure consistency with recognised investment terminology, and to promote a common understanding, that the ACT Government's 'doing well by doing good' investment policy framework be referred to henceforth as—responsible investment.

ACT Government Position

Agreed

Recommendation 6

The Committee recommends that the ACT Government should develop a policy of responsible investment that reflects a principled based approach to this form of investment.

ACT Government Position

Agreed-in-principle

The Government's responsible investment policy will incorporate and reflect the framework established by the United Nations Principles for Responsible Investment and will utilise universally agreed and accepted norms-based investment criteria.

Recommendation 7

The Committee recommends that the implementation and reporting requirements for the proposed responsible investment policy be detailed in the policy. Amongst other things, the policy should:

a). set out norms-based investment criteria for the Territory's investments that are consistent with internationally recognised norms and conventions relevant to ethical investment and responsible investment and the ACT Government's status as a signatory to the United Nations Principles of Responsible Investment;

b). in the main, use engagement and integration investment strategies supplemented by the selective use of exclusion-based screening strategies consistent with the ACT Government's articulated public policy context;

c). require the ACT Government to instruct its fund managers to invest according to the specified norms-based investment criteria;

d). specify an annual reporting and disclosure requirement to ensure transparency with regard to the Territory's investments. Reporting and disclosure requirements should use an "if not, why not?" test;

e). require that funds are not invested in ways that are inconsistent with the core investment objectives of the Territory; and

f). require the ACT Government to comply with the policy and report annually on it to the ACT Legislative Assembly.

ACT Government Position

Agreed-in-principle

The Government's responsible investment policy will incorporate norms-based and exclusion-based investment criteria. The policy will also incorporate ESG integration, engagement, annual reporting requirements, and fund managers' investment requirements.

Recommendation 8

The Committee recommends that the ACT Government publish a list of the companies in which it holds shares, as part of the annual requirement to report on the proposed responsible investment policy.

ACT Government Position

Agreed-in-principle

The Government supports the disclosure of the companies in which the Territory owns shares. The extent and/or timing of this disclosure may be subject to commercial and contractual restrictions and negotiations with relevant external investment service providers.

Recommendation 9

The Committee recommends that the ACT Government, as part of the proposed responsible investment policy, sponsor or co-sponsor public engagements and shareholder resolutions on matters of concern. The matters of concern should be drawn from the norms-based criteria to be set out in the Government's responsible investment policy. The Government should report on this activity—companies engaged with and the issues involved—as part of the annual requirement to report on the responsible investment policy.

ACT Government Position

Noted

The Government will report on any activities undertaken in this area as part of the annual reporting requirements.