QTON No. SP-063

Legislative Assembly for the Australian Capital Territory
Standing Committee on Social Policy

Inquiry into Annual and Financial Reports 2023–2024

Answer to question taken on notice

Asked by: Miss Laura Nuttall MLA

Addressed to: Mr Jonathan Pheasant, Chief Operating Officer

In relation to: Ethical Investment Guidelines 2

Hearing: 21 February 2025
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Transcript provided: 26 February 2025
Answer Due: 5 March 2025 5:00:00 PM

Mr Pheasant took on notice the following question(s):

THE CHAIR: Miss Nuttall?

MISS NUTTALL: Yes, with a substantive? Beautiful. So, I am keen to understand more about the ethical investment guidelines. Has there been any effort to expand the UC's ethical investment guidelines to exclude investigative weapons manufacturers and financial institutions, the ones listed by the United Nations Office of the High Commissioner on 20 June 2024 which are complicit in human rights violations and possibly genocide?

Mr Shorten: I might ask Jonathan to answer that question,

Mr Pheasant: Yes, thanks, vice chancellor, and I am just trying to pull up—so last year, council approved a new investment policy which includes quite a detailed section on ethical investment. As members are probably aware, the investment policy has to be signed off by ACT Treasury, so we are in the process of submitting that investment policy for review.

I will just bring up, so I just wanted to specifically—to use the language that we have got in our investment policy, if you do not mind, we have looked at a range of other investment policies that exist across the sector. We did have an ethical investment framework. We did touch on what we deem to be acceptable. So if I can just—bear with me, I am just going to bring that up now.

So the way that the investment policy here is structured, we have structured it around ESG factors, including both positive screening and negative screening. In terms of negative screening, we are excluding an investment in a direct security company or entity that undertakes the manufacture of tobacco related products, generates more than 10 per cent of revenue from gambling operations, manufactures or sells controversial weapons, including nuclear weapons, or undertakes the extraction of fossil fuel.

And then when we are looking at our managed investments, which, as you are aware, are a little bit more challenging to understand the detail. We have got our best endeavours approach to ensure that there is no individual exposure by revenue of more than 10 per cent to each of the excluded industries, including primary manufactured tobacco, gambling operations, manufacture or sale and then fossil fuels, including thermal coal extraction or conventional or unconventional oil and gas extraction.

MISS NUTTALL: Can I confirm, then, controversial weapons? Is that a technical term? I am interested in understanding what constitutes, I suppose, a controversial weapon as opposed to an uncontroversial weapon?

Mr Pheasant: I have to admit, that is the first time I have been asked that question. So maybe I can I take that one on notice? You know, in our review of other policies, it was a term that we came across quite a lot. So, yes, as I said, I have not been asked that question and I will need to do some research on that one.

MISS NUTTALL: Yes, please, if that is okay. And so, just to confirm, as part of that process, did you go through and, like, systematically review all of your current investments, or is it just the policy right now that is being formed?

Mr Pheasant: No, no, so we have an investment committee that is now part of our finance committee. On a quarterly basis, we review all of our investment and on an annual basis, we do a detailed sort of ESG review, red and green. In fact, last year, we divested some funds, Blackrock as an example, where we were not comfortable that we could guarantee we were meeting the ethical investment framework. So it is a very active strategy that we take to ensure we meet our investment policy.

The Hon Bill Shorten: The answer to the Member's question is as follows:

The University Investment Policy, approved by the Council in 2024, states that:

- (Clause 5) The University is concerned that it should be seen as a socially responsible institution, and as such it should be a socially responsible investor.
- (Clause 6) The University will avoid investment opportunities considered likely to cause substantial social injury. In implementing the investment strategy, the University acknowledges the limited transparency of some managed investments and the diverse operations of large corporations may result in outcomes that are inconsistent with the broader ethical and sustainability parameters of the University.
- (Clause 7) When evaluating the fund managers that may be included in the portfolio, the Investment Manager will take a best endeavours approach to ensure that there is limited exposure to underlying investments inconsistent with this Policy.

Though there is not a specific reference to or definition for 'controversial weapon' within the Policy, the University framework that has been adopted in relation to ethical investment was developed with consideration of best practice across both the higher education sector and other industries. The definition extends to anti-personnel landmines, chemical weapons, biological weapons, nuclear weapons and incendiary weapons, among other examples.

Approved for circulation to the Standing Committee on Social Policy

Bill Shorten

Signature: Date: 5 March 2025

By the Vice-Chancellor of the University of Canberra, the Hon Bill Shorten