



From: Toronto350.org

To: Toronto City Council

January 28, 2020

Re: CC14.4, Investment Policy Update, to be considered by City Council January 29, 2020

To the Mayor and Councillors,

We are writing in support of Recommendations 1.a and 1.b, submitted by the Chief Financial Officer and Treasurer in their report of January 21, 2020. However, we would also request that Council consider additional proposals to enhance and clarify the Recommendations.

Recommendation 1.a:

The recognition of ESG factors as material to risk/return outcomes is a positive step. Financial activities are not separate from the material and social conditions of society, but depend, as all human existence does, on healthy, sustainable societies embedded in a healthy, sustainable ecosystem. However, there is a strongly entrenched tendency on the part of financial professionals to understand "risk" in abstract monetary terms, ignoring greater social and environmental risks which may be masked by expectations of financial returns. Therefore we recommend that "risk/return outcomes" be explicitly defined to include demonstrable risks to the global climate, to be reported and monitored independently of financial returns.

Recommendation 1.b:

Strengthening the definition of ESG factors to explicitly include all 17 of the United Nations Sustainable Development Goals is, again, a positive step. The ESG concept, now in wide use by retail investment companies, is inadequate to the task of bringing investment activities in line with the social and environmental imperatives of today. However, it must be said that while goals established by the UN are widely acknowledged, government and corporate behaviour very often falls far short of the actions required to make those goals realizable. The recognition of them needs to be supported by the expectation of compatible behaviour.

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With regard to Sustainable Development Goal 13, “Take urgent action to combat climate change,” the Secretary General’s 2019 Report states, “While there are positive steps in terms of the climate finance flows and the development of nationally determined contributions, far more ambitious plans and accelerated action are needed on mitigation and adaptation... Under the (Paris)Agreement, all parties are required to submit new nationally determined contributions, containing revised and much more ambitious targets, by 2020.”

The imperatives for “far more ambitious plans,” “accelerated action” and “much more ambitious targets by 2020” face tremendous obstacles. Not least of these is the still accelerating expansion of fossil fuel infrastructure, enabled and driven by financial investment. Goal 13 is, simply, incompatible with further expansion of an industry that, to the contrary, needs to be scaled back as rapidly as possible, in a just transition to a sustainable economy.

Toronto has expressed a firm commitment to supporting this transition, as evidenced by the unanimous council approval of TransformTO in 2017. It is time to bring our investment policy into compliance, with firm commitments and strong accountability, by divesting from companies involved in fossil fuel expansion or its dependent infrastructure.