

## Attachment C



**Municipal Finance  
Authority of BC**

### MFA's Fossil Fuel Free Investment Options

An increasing number of local governments in BC have declared a state of climate emergency in their communities. Those same local governments are interested in divesting from investments in companies engaged in fossil fuel-related activities. MFA currently offers several fossil fuel free investment options.

**What is Fossil Fuel Free Investing?** Fossil Fuel Free (FFF) investing is defined as an investment strategy that actively excludes, or does not otherwise constitute, a direct investment in entities whose main business is to extract, process, or transport coal, oil, or natural gas.

There are two main types of FFF investment products offered by MFA: 1) those products that by their very nature do not invest in fossil fuel related companies (such as MFA **Pooled High Interest Savings Accounts (PHISAs)** and the MFA **Government Focused Ultra-short Bond Fund (GF US BF)**) and 2) a product that otherwise would be invested to some degree in fossil fuel related companies but employs an exclusionary screen that actively disallows those investments (**the MFA Fossil Fuel Free Bond Fund (FFF BF)**). In both cases above, MFA considers that those investment products meet many local governments definitions of FFF investing, as they do not allow direct investments in entities “engaged primarily in extracting, processing, or transporting coal, oil or natural gas”, a definition and screening methodology provided to us by Sustainalytics, an independent market leading **ESG** ratings firm.

All of MFA's Pooled Investment Funds (PIFs) are managed employing **ESG Integration**. Our Fund Manager, PH&N, is a **United Nations Principles for Responsible Investment (UNPRI) Signatory** and must, amongst other things, systematically consider **ESG factors** in investment decisions and promote better disclosures and environmental and social responsibility.

### Fossil Fuel Free Short-term Bond Fund

The FFF ST BF “actively excludes direct investments in oil and gas-related entities. The fund itself, like the fund it was derived from, the Short-term Bond Fund, generally provides PH&N (our external asset manager) with the ability to purchase any bond that is part of the Canadian FTSE Russel Short Term Bond Index. However, the fund is also subject to two exclusionary screen overlays that specifically precludes PH&N from buying any company identified in the **Carbon Underground 200 list** or by **Sustainalytics** as being directly involved in fossil fuels. The Carbon Underground 200, compiled and maintained by FFI Solutions (formerly Fossil Free Indexes<sup>SM</sup>), identifies the top 100 coal and the top 100 oil and gas publicly traded reserve holders globally, ranked by the potential carbon emissions content of their reported reserves. Sustainalytics conducts recurring assessments on the performance of companies against the Fund's ESG framework.



## **Municipal Finance Authority of BC**

The fund provides the following benefits:

- We believe the FFF ST BF fund is the lowest cost actively managed Bond Fund of its type in Canada
- Most appropriate for reserve moneys not needed for 3 years or longer, due to the interest rate sensitivity of the fixed rate investments in the pool
- The Fund invests in high quality Canadian dollar denominated fixed income investments and is appropriate from a risk perspective for Local Governments
- Offers a very cost-effective opportunity for professional management and diversification into a broad category of bonds otherwise not featured in many local government investment portfolios

### **Government Focused Ultra-short Bond Fund**

Asset class policy restrictions at the fund level for the GF US BF only allows the fund to include investments in high-quality Canadian government securities and Canadian D-SIB bank exposure.

The fund provides the following benefits:

- Composition of the fund has the highest quality and most liquid securities, 10% Federal Bonds, 65-90% Provincials/Municipals, and 0-25% D-SIB Financials
- Appropriate for clients with a time horizon of 0 to 15 months
- Provides clients with an ultra-conservative and ultra-liquid investment option
- Allows the most efficient access to government securities that are not practically available to a large portion of local governments

### **Pooled High Interest Savings Account**

For the majority of BC LG Members who define and employ FFF investment strategies, banks and credit unions do not constitute a direct investment in a fossil fuel related companies' financial institutions they do not "extract, process or transport oil, coal or natural gas" as a primary line of business.

The fund provides the following benefits:

- Balances favorable interest rates and liquidity
- Appropriate for clients with a time horizon of 0 to 12 months
- Monies held with Domestic Systemically Important Banks
- Favorable deposit rates negotiated by MFA
- Monthly Interest

If you would like to discuss these fossil fuel free options, please reach out to one of our Client Services Team at [invest@mfa.bc.ca](mailto:invest@mfa.bc.ca). We are available to discuss in-depth details of the Funds and provide assistance if you are preparing a report to your council or board.