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**ATTACHMENT A**

# INVESTMENT COMMITTEE CHARTER

Assembly Investment Committee Charter

**Assembly Investment Committee Charter**
**UCA Assembly Limited ABN 14 000 007 447 and all related entities within the Uniting Church in Australia Assembly ("Assembly") except Frontier Services, the UCA Beneficiary Fund and the UCA Home Endowment Fund.**

*Consistent with our charitable purpose, Christian Values and Mission, each year the Committee strives to provide a reliable stream of investment income available to each Agency and entity of the Assembly within their respective parameters of risk and investment goals, whilst also at the same time building a capital base that will ensure a sustainable endowment for the future.*

## 1. Authority

### 1.1 Authority

The Assembly Investment Committee (hereafter referred to as the Committee) is a Committee of the Assembly Standing Committee (ASC). …

In carrying out its role the Committee provides an investment management service for the Assembly, for UCA Assembly Limited and all related agencies and entities within the responsibility of Assembly (except for those Agencies with stand-alone ASC investment mandates).

### 1.2 Limits on Authority

The Committee is to implement its investment decisions with two parameters: The Committee must operate according to its Investment Policy and/or other limitations established by the ASC. The Committee must be bound by each Agency's requirements of risk and reward and other relevant policies when managing that Agency's funds, including the Agency's assessment of its periodic need for access to funds for the activities of the Agency..

### 1.3 Delegated Authority

The Committee has the authority to act on any delegations or instructions, in relation to Assembly investments, given to it from any ASC mandated Committee or governance body of an Assembly Agency or entity.

### 1.4 Mandate

The Committee is to provide a management service to each Assembly Agency or entity to which this Charter applies by overseeing and managing the investment activities of the Assembly bodies. This may include but not be limited to;

(a) Developing Investment strategy, including;
   - (i) Allocations to asset classes in the light of economic and investment market conditions;
   - (ii) Selection and appointment of external investment advisors and asset managers; and
   - (iii) Selection of performance benchmarks (net of fees and taxation) and investment mandates.

(b) The power to buy and sell investments in accordance with this Charter and the approved Investment Policy;
(c) Monitoring investment performance and outlook;
(d) Ensuring Compliance with the investment policy of the Assembly and its Agencies or entities including their Capital Management Plan (or equivalent thereof), and to the extent relevant, the investment requirements of Specific (restricted) or Designated funds held by an individual Agency or entity;
(e) Undertaking any special projects delegated by the Assembly, its Standing Committee, its Audit Finance and Risk Committee (AFARC) or as deemed necessary by the Committee;
(f) Reporting to Agencies or entities on performance, asset allocation and outlook; and
(g) Meeting regularly with each Agency or entity to consult on changes to their Risk versus Reward appetite (including meeting at short notice in response to unfavourable developments in financial markets).

## 2. Committee Responsibilities

### 2.1 Responsibilities

The Committee exists to provide financial leadership and thereby to support the Uniting Church in Australia Assembly mandate, mission and activities by:

- Managing the assets of Assembly Agencies or entities within the agreed framework of Risk versus Reward and any Assembly policies and Agency requirements for access to funds ;
- Identifying and developing financial solutions that respond to the changing sophistication and differing needs of Assembly Agencies or entities;
- Recommending changes to the investment policy of ASC or the investment strategy of Agencies and entities where market circumstances have changed significantly since their Mandate was provided to the Committee.

### 2.2 Reporting Obligations

- The Committee will report in writing, or through its delegated representative, to each Assembly Agency or entity with a frequency of not less than quarterly showing investments, yield and any purchases and sales.
- The Committee will provide its minutes to the Assembly Audit Finance and Risk Committee.
- The Committee will provide a report annually to the ASC and a copy to AFARC. The report will address compliance with investment policy, risk issues, asset classes, investment returns and recommendations.

### 2.3 Dispute Clause

Where Agencies or entities are unable to resolve a difference of opinion or practice with the Committee then the matter may be referred to AFARC by either party for resolution. AFARC reserves the right to seek ASC guidance.

## 3. Investment Criteria

### 3.1 Investment Framework

In establishing an Investment Framework for the Assembly, its Agencies and entities the following criteria will be considered:

- Investor weighting between income and capital appreciation;
- The level of return investors seek (Risk versus Reward);
- Investor risk appetite (the trade-off between reward versus capital risk);
- The current market environment;
- Liquidity needs;
- Tax considerations;
- The appropriateness of using external managers or managed funds;
- The extent and impact of additional costs incurred by separately investing funds of each agency and not pooling funds together to gain economies of scale;
- Ethical Investment Principles approved by the ASC;
- Concentration risk;

- Credit risk;
- Maturity periods;
- The nature of funds available to invest such as general funds, retained earnings, specific funds, designated funds, endowment funds or reserves; and
- External stakeholder requirements e.g. AusAid

**3.2 Investment Strategy**

In establishing an Investment Strategy the Committee will:

- Comply with the investment policy established by the Assembly Standing Committee;
- Be bound by the investors' policies and needs, including their Risk versus Reward objectives;

**4. Membership**

**4.1 Composition and size**

The Committee will consist of at least 5 members, 3 of whom are independent from executive management of Assembly, its Agencies or entities. Included in the five are two ex officio members of the committee, which are the Assembly General Secretary (or nominee) and the senior financial officer of the Assembly (or nominee). Criteria for non ex officio members will be determined by the Committee and where changes in membership are required the appointment of new members shall take into account the current competency and experience of the Investment Committee.

**4.2 Appointment**

The Committee shall be appointed by the Assembly Standing Committee. The Committee will submit nominations for this Committee to the Assembly Standing Committee.
Appointments shall be for three years and shall be made at the first meeting of the Assembly Standing Committee after each triennial meeting of the Assembly.
The Committee has the power to fill a casual vacancy between meetings of the ASC. Such casual appointments shall be formally nominated to the next meeting of Assembly Standing Committee;

**4.3 Chairperson**

The Chairperson of the Committee is appointed by the ASC and must be an independent non-executive member who is not the Chairperson of the Assembly Audit Finance and Risk Committee.
Where the Chairperson is not present at a meeting, the Committee may elect an acting chairperson for the meeting, who may be any member of the Committee.

**4.4 Technical expertise**

The appointed Committee members must be experts so that:

(a) all appointed members are financially literate, that is, are able to read and understand financial statements;

(b) appointed members have relevant professional qualifications and / or experience, that is, have qualifications and / or experience in the management or oversight of investment funds; and

(c) some members have an understanding of the context and culture within which the Uniting Church Assembly operates

**4.5 Skills development**

If the Committee Chairperson approves, a non-executive Committee member may attend seminars or training related to the functions and responsibilities of the Committee at Assembly's expense, subject to the agreement of the Assembly General Secretary.

**4.6 Commitment of Committee members**

Committee members must devote the necessary time and attention for the Committee to carry out its responsibilities. Each Committee member must confirm that they are able to devote sufficient time and attention to the Committee for the coming year.

### 4.7 Minute Secretary

The Assembly's senior financial officer shall be the Secretary of the Investment Committee.

## 5. Committee meetings and processes

### 5.1 Meetings

Meetings and proceedings of the Committee are governed by this Charter and the Regulations of the Uniting Church in Australia.

### 5.2 Form of meetings

Meetings may be held in person and also by any electronic means including circular e-mails, phone conferences, video conferences or a paper based signed resolution.

### 5.3 Frequency and calling of meetings

The Committee will meet at least quarterly. The Chairperson must call a meeting of the Committee if requested by any member of the Committee, the external auditor, a National Director of an Agency for which funds are administered, the Chairperson of the Audit, Finance and Risk Committee or the Assembly Standing Committee.

### 5.4 Quorum

Three members constitute a quorum for meetings of the Committee, provided two of those members are not ex officio members.

### 5.5 Conflict of Interest

When a member of the Committee recognises a conflict of interest it shall be declared by that member to the rest of the Committee and the person with a conflict of interest shall not participate in any decisions in which they have a conflict of interest.
If a situation arises where the number of Committee members declaring a conflict of interest means that the Committee lacks a quorum the Committee shall seek guidance from the AFARC, ASC or other body appropriate for the resolution of the issue.

### 5.6 Attendance by management and advisors

The Committee Chairperson may request National Directors, other senior executives, who are not members of the Committee and external advisors to attend meetings of the Committee. The Committee may request management and/or others to provide such input and advice as is required.

### 5.7 Access to information and advisors

The Committee has the authority to:

(a) require management or others to attend meetings and to provide any information or advice that the Committee requires;
(b) access relevant Assembly documents and records;
(c) subject to prior approval, by the Assembly General Secretary, of expenditure, obtain the advice of special or independent counsel, accountants or other experts; and
(d) access management and fund managers, custodians, asset managers and any other service providers engaged to support the investment strategy and decisions of the Committee.

### 5.8 Minutes

The Secretary shall keep a minute book to record the proceedings and resolutions of its meetings.

## 6. Committee's performance evaluation

The Committee will review its performance annually and whenever there are major changes to the Agency or entity structure of the Assembly.

The performance evaluation will have regard to the extent to which the Committee has met its responsibilities in terms of this charter, and will include feedback from all Agencies and Assembly entities whose funds it manages.

## 7. Review and publication of charter

The Assembly Investment Committee will review this charter to ensure it remains relevant to the current needs of the Assembly.
The charter may be amended by the Assembly Standing Committee after it has received advice from AFARC.
The Charter will be available upon request to the Assembly Standing Committee, Agencies or entities of Assembly or their governance bodies.

**ATTACHMENT B**

# ASSEMBLY INVESTMENT POLICY

**Assembly Investment Committee Charter**
**UCA Assembly Limited ABN 14 000 007 447 and all related entities**
**within the Uniting Church in Australia Assembly ("Assembly") except Frontier Services, the UCA Beneficiary Fund and the UCA Home Endowment Fund.**

*Consistent with our charitable purpose, Christian Values and Mission, the Assembly Investment Committee through following the Assembly Investment Policy strives to provide a reliable annual stream of investment income available to each Agency and entity of the Assembly within their respective parameters of risk and investment goals, whilst also at the same time building a capital base that will ensure a sustainable endowment for the future.*

## 1. Purpose

This investment policy is to be read in conjunction with the Assembly Standing Committee (ASC) approved Investment Committee Charter.

The purpose of the Assembly Investment Committee (herein after referred to as the 'Committee') is to be a Committee of investment experts to oversee all Assembly property investments, to seek investment criteria input from each Assembly Agency or entity (herein after referred to as 'Agency') and to report back to Assembly and those Agencies on a regular basis. It is recognised that a commonality of approach may be required between Agencies to achieve the benefits of scale.

The Investment Policy has been designed to outline the principles for prudent and acceptable investments by the Uniting Church in Australia - Assembly (herein after referred to as the 'Assembly'). It forms part of the existing broader approved policies of the Assembly.

This policy has been approved by the ASC in August 2012.

## 2. Investment Mandate

The Committee is constituted pursuant to regulation 4.10.1(a) (ii) of the Regulations of the Uniting Church in Australia (UCA). This Regulation 4 sets out constraints to be observed by the Committee in fulfilling its Charter in accordance with this Policy.

The Committee strives to provide a reliable annual stream of investment income available to each Agency and entity of the Assembly cognizant of their stated Risk versus Reward parameters and investment goals, whilst also at the same time building a capital base that will ensure a sustainable endowment for the future.

Property as defined in Regulation 4 includes property of whatsoever nature whether real or personal, and includes money, investments and rights in relation to property. The functions of the Committee are to manage and control the Funds and to exercise any other investment functions under the UCA or its Constitution or Regulations which do not vest in another body or person. Such property includes Manses provided to Ministers in an Assembly placement in accordance with Church regulations.

## 3. Investment Principles

Investment property must be managed with the utmost care, prudence and integrity and in compliance with the guiding principles and regulations of the Uniting Church in Australia.

The Committee must act in a way that is unlikely to cause any diminution in the Uniting Church in Australia's reputation in local and overseas financial markets.

In targeting the benchmark return the Committee must determine an acceptable, but not excessive, level of risk for Assembly property measured in terms such as the probability of losses in a particular year.

The Committee must have regard to best practice for institutional investments in determining its approach to corporate governance principles.

That all cash as far as practicable be invested in Uniting Church in Australia (UCA) institutions.

**4. Definitions**

Asset classes – as defined in Table 1.
Portfolio – comprises the total sum of each Agency's property.
Property – as defined in the UCA Regulation number 4.

**5. Risk Profile**

The Committee and delegated officers have a fiduciary responsibility to ensure risks are kept within approved boundaries, particularly credit risk while complying with the Prudent Person Rule. Hence Authorised Investments and Counterparty Limits (Appendix 2) must be adhered to.

ASC has an appointed Audit Finance and Risk Committee (AFARC) to oversee the establishment of compliance and audit functions, reviewing key financial statements and the evaluation of the adequacy and effectiveness of the risk management framework.

**6. Prudent Person Rule**

The Committee must comply with its fiduciary responsibilities as trustees under various state legislations, Church Regulations and ensure all delegated officers act in accordance with the Prudent Person Rule.

The main features of the Prudent Person Rule include:

- Exercising the care, diligence and skill that a prudent person would exercise in managing the affairs of other persons; and
- A duty to invest funds in investments that are not speculative or hazardous.

In exercising powers of investment, there are important matters for consideration, these include;

- The purpose of the investment and the needs and circumstances;
- The desirability of diversifying investments;
- The nature of and risk associated with existing investments;
- The need to maintain the real value of capital and income;
- The risk of capital or income loss;
- The likely income return and timing of the income return;
- The length of the term of the proposed investment;
- The effect of the proposed investment in relation to the tax liability (if any);
- The likelihood of inflation affecting the value of the proposed investment; and,
- The results of periodic review of investments.

**7. Investment Objectives**

The following investment objectives are to be taken into account when formulating investment strategies & decisions:

- A conservative approach to investing will be pursued, but with a focus of providing targeted levels of income through prudent investment of funds;
- To achieve an average annual investment return of at least annual inflation + 3.5% over a five year rolling period;
- To achieve and maintain a level of investment diversification that adequately spreads risk and minimises over exposure to any one security, financial institution or other issuer;
- To achieve a high level of security by reference to recognised ratings criteria where available and by reference to the Prudent Person Rule;
- To achieve adequate liquidity to meet day-to-day, medium and long-term cash flow requirements without incurring penalties for early redemption of investments;
- To protect the original investment amount and to minimise the risk of incurring capital losses through prudent investment choices;
- To provide church housing for Ministers in an Assembly placement;

- To meet the ethical and socially responsible criteria that are consistent with the objectives of the Assembly and principles of the Church;

The Committee has interpreted these objectives to mean that in maximising the return it should target an average real return of at least 3.5% p.a. measured over rolling 5 year periods. Measurement of investment returns will exclude occupied Manses and office accommodation. Specifically, the investment return over a single year is not a particular focus and the Committee believes that assessments about the probability of delivering on the long term objective are best made over at least rolling five year periods. In reporting the performance of the Assembly property investments against the CPI based benchmark, the Committee notes the temporary price disturbances that can affect the CPI measure.

Each Agency's investment objectives and Risk versus Reward appetite shall be documented and distributed following regular meetings between this Committee (or its delegate) and Agency senior management and/or appropriate governance representatives (e.g. Chair and/or Treasurer). Investment decisions for each Agency are to reflect the Agency's stated investment objectives.

**8. Types of Investment Funds**

- 'Endowment Funds' are funds whose principal is intended to be preserved indefinitely.

- 'Restricted Funds' are funds whose principal is intended to be preserved until the occurrence of a specific event.

- 'Restricted Funds' as used in this policy include both Specific Funds and Designated Funds.

- 'Designated Funds' are funds set aside at management's discretion for a stated purpose, which do not have any third party trust obligations attaching thereto.

- 'Third Party Trust Funds' are those funds received for investment and oversight by Assembly or its Agencies or entities.

- 'Restricted Funds' include Government specific purpose grant funds such as AusAid or target grant monies. In addition Australian Taxation Office approved Deductible Gift Recipient (DGR) Funds are administered by Assembly or its Agencies or entities.

- 'Unrestricted Funds' are those funds held in the General Fund (also known as retained earnings), various reserves and capital funds. It does not include specific funds, designated funds or endowment funds.

**9. External Investment Managers**

In the normal course of business the Committee shall only invest Debt and Equity funds through an investment manager approved by the Committee. Selection of Investment Managers may take into account the following general criteria, as well as specific criteria relevant to each appointment:

- Extent to which the manager demonstrates a sustainable competitive advantage over their competitors in their specialist area;
- The fit between the manager's style and investment process and the investment objectives and values of the Church;
- The strategies employed by the manager to control operational and financial risk in their organisation; and
- The expected fees.

Before a recommendation to appoint a manager is made, the Committee will undertake an objective review of potential managers for the relevant mandate and present a report setting out the relevant characteristics of the preferred manager and the reasons why the appointment is favoured.

In determining the allocation of capital to a manager, the relevant issues will be:

- The proportion of the Fund allocated to the specific asset class for which the manager is appointed considered in conjunction with the proportion of active risk to be allocated to that asset class;
- The desired level of active management risk to be allocated to the manager; and
- The capacity of the manager to take on additional assets.

## 10. External Advisors

The Committee may appoint at its discretion advisors in a number of areas including:

(a) investment policy, including asset allocation, manager research, specialist asset classes;

(b) legal, including advice on the statutory and other obligations of the Committee and assistance with contract negotiations with external parties;

(c) tax, including ensuring the tax obligations of the Committee and the Agency investments are met and advising on the tax implications of particular investment structures; and

(d) audit, including advice on ensuring that the management controls in place within the Committee and its delegates and around the Agency investments are of sufficient standard.

Selection of advisors for these roles will take into account, among other criteria specific to the role:

(a) demonstrated commitment to best-practice portfolio management;

(b) the skills and experience the advisor brings to the role;

(c) the substance and viability of the advisor; and

(d) the costs that can be expected to be incurred.

## 11. Portfolio Design

The Committee has established a long term asset allocation consistent with its investment beliefs and the specific requirements of its investment mandate. The investment mandate sets a return hurdle of at least CPI plus 3.5% p.a. over the long term which is interpreted as meaning rolling five year periods. The investment mandate stipulates the Committee should take acceptable but not excessive levels of risk. Part of the portfolio will include Manses provided as Church housing, which are to be excluded when assessing rolling investment returns.

The Committee has also chosen to consider investments in four broad categories, which have common characteristics, rather than in more narrowly defined asset classes. This minimises the risk of overlooking a potentially attractive investment opportunity simply because it does not meet the narrow definition of an approved asset class. We envisage a high degree of substitutability within these categories but will operate within relatively narrow limits between the categories.

*Table One*

| **Category** | **Definition** | **Sectors covered** |
|---|---|---|

| | | |
|---|---|---|
| Listed equities | Exposure to corporate enterprise gained through public markets | Australian equities, global developed market equities, global emerging market equities |
| Debt | Exposure to the credit component of interest bearing securities | Primarily non-government fixed interest securities extending to mortgages, high yield credit and corporate loans |
| Tangible assets | Exposure to investments where the return comes primarily from the income return on a physical asset | Real estate such as Manses or office accommodation purchased directly. *[Note no other direct tangible assets investments are permitted].* |
| Cash | Exposure to domestic, very short duration fixed interest investment with tightly managed credit risk | Australian bank bills and deposits with approved institutions. |

The following table sets out the expected default allocation to these broad categories over the long term. This portfolio represents the level of exposure to each of the broad asset classes which might, on average, be held over the long term. Recognising that markets are seldom at fair value and that the range of opportunities available is constantly shifting and that the actual holding at any point in time will reflect this, the target allocation is regarded as an equilibrium exposure to the investment categories rather than a weighting which is specifically targeted. It is recognised that Agency by Agency the target allocation may vary due to the differing terms and types of funds available to invest. Regular meetings between Agencies and the Committee will ascertain the below mix in respect of each Agency. The Ranges are to be observed as strict limits applying to all Agencies. The below is a broad guide to be followed by the Committee.

*Table Two*

| **Asset Classes or Categories** | **Target Allocation** | **Ranges** |
|---|---|---|
| Listed Equity<br>*NB No private equity allowed* | 45% | 0% - 65% |
| Debt | 25% | 0% - 60% |
| Tangible Assets (excluding Manses & Office accommodation) | 0% | 0% |
| Cash | 30% | 0% – 100% |
| **Total capital allocation** | **100%** | |

## 12. Risk Management

The investment mandate requires the Committee, in investing the property, to have regard to maximising return over the long term and taking appropriate but not excessive levels of risk. In general the investment strategy adopted by the Committee, and in particular the mix of growth versus income assets, will have a dominant influence on the returns generated. Investment strategy is primarily influenced by the investment objectives of the Agency Funds and the time horizon over which these are to be achieved.

The Committee's objective is to maximise return to the Agencies Funds as a whole within agreed risk parameters and to deliver an average return of at least CPI plus 3.5% p.a. measured over rolling 5 year periods (excluding Manses).

In accepting the investment objective set by the Assembly Agencies, the Committee acknowledges that this means that a proportion of the property will need to be held in assets carrying market risk.

This means there will be volatility of returns over shorter periods. The Committee's policy is that the mix of assets within the Agency's Funds should be as efficient as possible (that is, should offer the highest level of return for an acceptable level of risk). For this reason the Committee has adopted a policy of operating a flexible asset allocation which reflects the Committee's view of the market exposures which are more likely to meet the terms of the investment mandate (maximising return without taking excessive risk) given current market conditions.

## 13. Investment Risk

In seeking to maximise returns the Committee is mindful of the inherent risks. Those risks are considered because they offer a reasonable expectation of compensation in the form of returns above the risk free rate (excess returns) over the time horizon of the funds. Risks accepted in order to pursue the investment objective fall into four categories:

a) Market Risk

The Committee holds exposure to a wide range of assets which the Committee expects will produce returns divergent from, and superior to, the risk-free rate over the long term.

Principal exposures include:

- broad equity market risk, both globally and in Australia;
- broad debt market risk, including interest rate duration, credit spread duration, credit quality migration and default risks;
- currency exposure, including risks of movement in the value of both the Australian dollar and the foreign currencies held;
- non-uniform performance within broad asset markets (e.g. divergence in returns by sector, geographic region, growth vs. value styles, and large vs. small stocks); and
- return uncertainties within the property markets.

Market risk is generally managed by:

- adopting an appropriate risk profile that is commensurate with the return objective and time horizon of the Agency That risk profile is determined after careful analysis of the prospective risk and return characteristics of each asset class in which the Agency and Committee might invest;
- avoiding concentration of risk by ensuring there is adequate diversification between and within asset classes; and
- diligent and thoughtful ongoing assessment of the Agency's and Committee's risk exposures, particularly in the context of the prevailing market environment.

b) Manager Risk

The requirements on the Fund's external managers to deliver superior returns also entail some risks. In particular, appointed managers may exceed or fall short of the objectives set for them by the Committee. Market returns (beta) and manager performance (alpha) should be largely independent (i.e. performance of a manager relative to the broader market should not be impacted by the performance of that market itself).

Manager risk is generally managed by:

- careful selection and monitoring of managers to ensure there is sufficient confidence that each manager warrants the allocation of active risk to them; and
- monitoring the composition of the portfolios of active managers to ensure that there are no unintended biases away from the intended investment strategy.

c) Credit Risk

Credit risk (or counterparty risk) is the risk of default by the counterparty on its contractual obligations. At the Fund level, a framework exists to ensure that risk exposures remain within approved exposure limits based on the credit ratings of financial instruments and counterparties. Appointed managers of investments are required to ensure:

- the average credit quality within the manager's portfolio;
- the exposure to different tiers of credit (including unrated debt) are within agreed guidelines;
- the maximum permitted exposure to any one issuer is within agreed guidelines; and
- the long-term debt of all entities in which the manager invests is either rated by an approved recognised rating agency or, if it is not- rated, is constrained to the maximum permitted exposure to such debt.

d) <u>Liquidity Risk</u>

Liquidity risk is the risk that a security cannot be sold when required or the price achieved is significantly different from the quoted price. Because of the long-term nature of the Agency's specific funds, it can tolerate a relatively high degree of illiquidity across the portfolio.

Liquidity risk is generally managed by:

- monitoring the liquidity profile of the Agency across all asset classes, under both normal and stressed environments;
- modelling the expected cashflows within the portfolio and undertaking robust planning for when liquidity is required;
- incorporating into liquidity planning an appropriate margin of safety to ensure that liquidity is always available when required.

**14. Structuring of investments**

In implementing its investment strategy the Committee invests through various jurisdictions and investment vehicles for a variety of commercial, legal and tax reasons. Properly structuring its investment can be essential to maintaining the Committee's rights and entitlements including the benefit of sovereign immunity for tax purposes in certain jurisdictions.

From time to time Manses provided for Ministers of the Church in an Assembly placement will be redundant, in short supply or inadequate for current needs. The Committee has the authority to raise with the Agency which has the beneficial use of a manse whether it is appropriate to purchase or sell Manses after careful consideration of all the alternatives and the best solution considering all relevant factors, including investment returns and any requirements to provide Ministers with housing.

**15. Risk Management Controls**

The Committee will apply the following risk management controls over its investment process:

Establish and maintain documented:

- authority and delegation to invest;
- investment procedures;
- procedures for –
  - Staff
  - Systems, operations checking controls, supervision

Management reporting, including [at least quarterly] investment reporting that includes:

- Maturity profile;
- Investment spread;
- Counterparty exposure;
- Return versus benchmarks; and
- Any breach of authorities/policies.

Internal and external audit reviews of the investment processes:

- Adherence to the Authorised Counterparties & Exposure Limits as set out in Appendix 2;
- Any significant holding; and
- Conflicts of Interest.

**16. Liquidity**

The Committee will apply the following criteria to establish its liquidity profile:

- A liquidity ratio that provides the ability to liquidate at least 10% of the total investment portfolio within 7 days with no significant loss or penalty for early withdrawal/liquidation;
- Cash flow requirements to be monitored at least monthly to ensure cash funds are available to meet commitments;
- Maturity analysis to be monitored at least monthly;

**17. Diversification**

The Committee recognises the importance of diversification to mitigate risk and consequently applies the following guidelines for investing:

- The portfolio must be diversified to ensure a spread of credit risk and market risk. Even if funds are to be invested wholly in Bank Deposits/Securities or UCA institutions, diversification across counterparties is desirable;
- Within each authorised investment exposure limit as set out in Appendix 2, no more than 50% of each Agency's and Assembly consolidated funds may be invested in one organisation without Committee approval even if within delegations;

Where funds are being placed into a managed fund this diversification rule, 'within each authorised investment exposure limit as set out in Appendix 2 no more than 50%', does not apply on the presumption that an existing diversification rule would be in place by the fund manager.

**18. Interest Rate Management**

Achieving higher interest rate and investment returns involves the employment of appropriate risk management techniques. Further, the economic outlook for the Australian economy, future interest projections and review of interest rates available should be considered before any investment is undertaken.

Investment strategies with respect to interest rate investments should be passive and should not be made on the basis of trading duration or interest rate direction. Notwithstanding, appropriate consideration should be given to assessing alternative strategies and securities as well as market conditions and pricing.

**19. Investment Portfolio Flexibility**

The Committee will ensure that proper procedures are in place for:

- the making of investment decisions;
- delegation of authorities from Assembly Agencies or entities or this Committee;
- withdrawal and amendment of investment powers and delegations

In certain circumstances securities issued by entities rated by a recognised credit ratings agency may not themselves be explicitly rated. The Policy allows for the Prudent Person considerations to reflect that such investments are qualifying investments.

The Policy allows for transitional arrangements from pre-existing portfolio holdings (prior to the adoption of this Policy) or in specie transfer of assets into the portfolio. In such cases, compliance with the Policy must be complete within a period of 18 months.

**20. Delegations**

The following investment processes and delegations are to be applied.

Within the confines of this policy, the Finance and Administration Manager has the delegated authority to:

- determine the spread of investments across investment alternatives available; and
- select, execute and approve specific investments.

**21. Investment Process**

The Investment Policy is to be reviewed at least annually.

Investment performance is to monitored and reported at least quarterly to the Committee as part of the normal reporting process.

An external professional advisor may be appointed.

All investments shall be in the name of UCA Assembly Ltd as the trustee for Assembly or where held in a custodial arrangement, certification that the custodian is licensed to provide such services and provides evidence in writing of the custodial arrangement on behalf of the Assembly for each such investment.

**22. Ethical/SRI Considerations**

The Committee and delegated officers will always consider the ethical implications of all investments. The Committee has adopted the published UCA NSW.ACT Synod Ethical Guidelines as its benchmark. The Policy examines investments in relation to issuers, which are engaged in, but not limited to the following areas of activity:

- Gambling
- Armaments
- Questionable work-place practices
- Poor mining practices; and
- Questionable corporate governance activities

**23. Gearing Policy**

The Committee will not borrow for the purposes of the Funds, other than by way of overdraft to fund short term liquidity needs or to purchase office accommodation, where a sound business case can be made for a ‘rent versus buy’ option.

The Committee will not invest in pooled investment products that use gearing to increase the gross value of the assets of the pool, other than pooled products consisting of real property and/or infrastructure assets that are partly funded by debt. In such cases, the level of gearing must not exceed 50%.

At the time of borrowing the total collateral or security offered by an individual Agency or all Assembly Agencies combined cannot exceed the total sum of the last externally audited balance of ‘General Funds’ (also known as Retained Earnings).

It is noted that in accordance with UCA Regulation 1.10.1 (d) Assembly property shall not be purchased, sold, mortgaged, encumbered or leased or substantially altered without the consent of Assembly or the ASC or other designate.

**24. Derivatives Policy**

The direct use of derivative instruments, such as forwards, futures, options, warrants, swaps, share ratios, is not permitted.

**25. Direct Hedging Policy**

No direct hedging is permitted by the Committee.

**26. Collateral or Security Policy**

- ‘Unrestricted & Designated Funds’ can be pledged as collateral or security for loans obtained by Assembly or its Agencies.

- ‘Restricted, Endowment and Third Party Trust Funds’ cannot be pledged as collateral or security for loans obtained by Assembly or its Agencies.

- Manses can be pledged as collateral or security for loans obtained by Assembly or its Agencies.

## Appendix 1: Authorised Investment Definitions

*Table Three*

| Authorised Investments | Description |
|---|---|
| Floating Rate Notes | Securities with term of 1 to 10 years that provide the ability to achieve returns at a fixed margin above a floating benchmark, generally the 90-day BBSW. Capital profit/losses are possible if traded before maturity. However there is no capital loss if held to maturity. |
| Term Deposits / Bank Bills | 30-180 day Bank Accepted Bill (BAB), Term Deposit (TD) or Negotiable Certificates of Deposit (NCD)<br>TDs and NCDs are issued by Australian Banks. NCDs differ from term deposits in that they are sold at a discount to the face value and can be traded before maturity but are subject to changes in interest rate movements during the term of the investment. |
| Term Deposits – 2nd Tier Banks | Fixed deposits of various terms with a bank that is not the ANZ, CBA, NAB or Westpac or a wholly owned subsidiary. |
| Term Deposits – Other Authorised Deposit- taking Institution (ADI) | Fixed deposits of various terms with an ADI (as nominated by APRA) that is not a bank. |
| Fixed Rate Security | A security that pays interest at a fixed rate at set times for the life of the security. Securities are generally issued as a Bond by government, semi-government authorities and corporations, as means of raising medium to long-term funding. |
| Debt Security | A security that ranks ahead of preference shares and represents a legally binding obligation to pay interest and principal ahead of all classes of equity. |
| Hybrid Security | An equity security ranking in preference to ordinary shares for the payment of dividends/distributions and in the event of a wind-up of the company. |
| Other Investments | These include securities that are backed by approved investments and are packaged to deliver a defined return outcome. Such securities will be referenced to the acceptability of the underlying securities or exposures. |
| Equity Investments | Listed on a recognised exchange |
| UCA Financial Institutions | Deposit taking institutions or managed funds within the Uniting Church in Australia. Examples include United Financial Services (NSW.ACT Synod), UCIS QLD Synod and UCA Funds Management (VICTAS Synod). |

## Appendix 2: Authorised Counterparties & Exposure Limits

As already noted, in certain circumstances securities issued by entities rated by a recognised credit ratings agency may themselves not be explicitly rated. The Policy allows for Prudent Person considerations to reflect that such investments are qualifying investments as if they were explicitly rated.

*Table Four*

| | **Credit Rating**[1] | **Security limit as a % of Portfolio** |
|---|---|---|
| **Short Term (< 12 months)** | | |
| At-call Cash | A-1+ | 100 |
| Term Deposits & Bank Bills | A-1 | 70 |
| Term Deposits 2nd Tier Banks | A-2 | 50 |
| Term Deposits other ADIs | A-2 | 20 |
| **Long Term (> 12 months)** | | |
| Debt Securities – Bank/ADI Issued | Major / AA- or above<br>2nd Tier / A- to A+<br>Regional / BBB- to BBB+<br>Other ADI / Unrated | 50<br>20<br>10<br>5 |
| Debt Securities – Non-ADI Issued | | 5 |
| Hybrid securities | Major Bank | 10 |
| Hybrid securities | Regional Bank | 5 |
| Hybrid securities | Non-Bank | 2.5 |
| **Cumulative Exposures (>12 months)** | | |
| Major Bank | | 50 |
| Regional Bank | | 20 |
| Non-Bank | | 7.5 |

1 Credit Ratings reference those issued by Standard & Poor's. Rating equivalents issued by other recognised Agencies are acceptable.

2 Should a conflict arise between Table 2 (Item 10 Portfolio) and Table 4 (Appendix B) then Table 2 shall prevail.