ASSEMBLY INVESTMENT ADVISORY 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~~Purpose, Christian Values and Mission, the Assembly Investment Advisory Committee~~,~~ through following the Assembly Investment Advisory Policy~~,~~ strives to ~~provide~~facilitate 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 seeking to build a capital base that will ensure a sustainable endowment for the future. ~~building a capital base that will ensure a sustainable endowment for the future.~~

1. Introduction and Purpose

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

The purpose of the Assembly Investment Advisory Committee (~~herein after referred to as~~ the 'Committee') ~~is~~includes to be a Committee of investment experts to advise on and oversee all Uniting Church in Australia Assembly ~~property~~('Assembly') investments, to seek investment criteria input from each Assembly Agency or entity ~~(herein after referred to as '~~('Agency'~~)~~), and to report back to Assembly, ASC, Assembly Finance, Audit and Risk Committee (AFARC) – as appropriate - 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~~As noted in the approved Committee Charter, the Committee is a committee of AFARC, itself accountable to the Assembly and the ASC.

This Investment Advisory Policy has been designed to outline the principles for prudent and acceptable investments by the Assembly and its Agencies. It forms part of the existing broader approved policies of the Assembly. It is acknowledged that the overall Risk Appetite across the Assembly and its Agencies is set at ASC, with individual Agency Boards responsible for articulating Agency risk tolerances for each Agency. The impact of risk tolerances on investment returns is interwoven below, within this Policy. Specifically, and as noted below, investment decisions for each Agency are to reflect the Agency's stated investment objectives having considered Agency specific risk appetites and the advice of the Committee~~**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~~(revised) Policy is proposed for approval by the ASC in August ~~2012.~~2021.

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~~investment advice to the Assembly and its Agencies to facilitate a reliable 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.~~ (however excludes manses held for housing ministers in placement).

The Committee will work with each Agency to determine the amount of property available for investment. In calculating available property for investment, each Agency will need to ensure sufficient cash reserves are maintained (in line with the Reserves policy and as set with AFARC's guidance) and any funding requirements for any future budgeted deficits. It is important to note that AFARC may review the level of reserves required to be maintained – currently it is a minimum of 6 months of regularly operating costs, however this may need to be increased in times of greater uncertainty.

The function of the Committee, at the highest level, is to provide oversight and advice on the performance of the Investment Managers and investment products chosen to manage the investment funds of the Assembly and its Agencies.

3. Investment Principles

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

The Committee must ~~act in a way~~ensure that ~~is~~ investments are consistent with the ethical values of the UCA and unlikely to cause any diminution in the ~~Uniting Church in Australia's~~UCA'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.

The Committee must also consider various Investment risks (further detailed below) but should at least cover the following risks:

- Concentration Risk
- Liquidity Risk
- Fraud Risk
- Custodian Risk
- Market Risk
- Performance Risk

With respect to Concentration Risk, it is important to consider both the risk of concentrating investments in too few categories or classes, but also the concentration risk of the selected investors.

The Committee's role includes conducting appropriate due diligence on all proposed Investment Managers. As far as is practicable, all investments should be held in products offered or managed by a UCA related institution (having regard to working capital requirements, income generation capabilities and other relevant considerations). An Agency preference to invest with a non UCA Investment Manager, will require the Committee's approval.

When reviewing any proposed Investment Manager, the level of fees charged will be taken into consideration. High fees may erode returns and may also erode capital and must be monitored to ensure Agencies are receiving the best possible price from Investment Managers. When recommending a new investment, the Investment Manager needs to show that a comparison of fees has been completed relative to industry peers.

In the event of funds being deposited outside UCA, or debt securities purchased, then the counterparty will always be an Australian Prudential Regulation Authority (APRA) regulated Authorised Deposit Taking Institution.

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

~~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, amongst other things, oversee ~~the establishment of compliance and audit functions, reviewing key financial statements~~ and ~~the evaluation of~~evaluate the adequacy and effectiveness of the risk management ~~framework~~frameworks adopted by Assembly Agencies. As a committee of AFARC, the Committee will assess and report to AFARC upon those aspects of Agency risk relevant to investments, having regard to Agency Risk appetite / risk – reward parameters. AFARC also engages directly with Agencies on matters of risk management.

5. Prudent Person Rule~~6. Prudent Person Rule~~

The ~~Committee~~Assembly and Agencies must comply with ~~its~~ fiduciary responsibilities as ~~trustees~~required under the Australian Charities and Not for Profits Commission (ACNC), various state legislations, Church Regulations and other relevant requirements 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;~~that will be considered, including:

- 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~~
6. Investment Objectives**

The following investment objectives are to be taken into account when formulating investment strategies ~~&~~and 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 the agreed benchmark 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 hold, as appropriate, counter cyclical asset allocations to minimise and offset the impact of adverse market movements;
- To achieve adequate liquidity to meet day-to-day, medium and long-term cash flow requirements without incurring penalties for early redemption of investments; and
- 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.~~above the benchmark, measured over rolling 5 year periods. The agreed benchmark will vary based on the portfolio design selected in conjunction with the relevant Agency.

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~~objectives are best made over at least rolling five year periods. In reporting the performance of the Assembly property investments against the ~~CPI~~consumer price index (CPI) and / or cash 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 (as determined by the relevant Agency Board or equivalent) shall be documented and distributed following regular meetings between ~~this~~the Committee (or its delegate) and Agency senior management and/or appropriate governance representatives (~~e.g~~eg. Chair and/or Treasurer). Investment decisions for each Agency are to reflect the Agency's stated investment objectives.

~~8~~ 7. Types of Investment Funds

Resources available to each Agency for investment purposes typically take a number of forms, including:

- '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~~Policy include both Specific Funds (to only be used for their specific purposes) and ~~Designated~~Endowment Funds~~.~~

- ~~'Designated~~ (capital preserved funds). 'Restricted Funds' ~~are~~include Government specific purpose grant funds such as those received from Department of Foreign Affairs and Trade (DFAT) such as Aid monies) or targeted grant monies. In addition, Australian Taxation Office (ATO) approved Deductible Gift Recipient (DGR) Funds are administered by Assembly or its Agencies or entities.

- 'Designated Funds' - 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~~ and endowment funds.

~~9~~Agencies, and the Committee, will be cognizant of the different Funds when considering investments.

8. External/Internal Investment Managers

In the normal course of business, the Committee shall ~~only invest Debt and Equity~~oversee investment in funds (including debt, equity, infrastructure and Property etc) through an ~~investment manager~~Investment Manager approved by the Committee. Selection of Investment Solution Providers, or 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~~Manager's style and investment process and the investment objectives and values of the Church;
- The strategies employed by the ~~manager~~Manager to control operational and financial risk in their organisation; and
- The expected fees.

Before a recommendation to appoint ~~a manager~~an Investment Solution Provider is made, the Committee will undertake an objective review of potential ~~managers~~Managers for the relevant mandate. The Committee will advise AFARC (and ~~present a report~~the relevant Agency) setting out the ~~relevant~~pertinent characteristics of the preferred manager and the reasons why the appointment is favoured.

In determining the allocation of capital to a ~~manager, the~~Manager, relevant ~~issues~~considerations will ~~be~~include:

- The proportion of the Fund allocated to the specific asset class for which the ~~manager~~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~~Manager; and
- The capacity of the ~~manager~~Manager to take on additional assets.

~~10~~The Committee will review the performance of all appointed Investment Managers on an annual basis or as required.

9. External Advisors

The Committee may appoint at its discretion, and at a cost approved by the Assembly General Secretary, 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 Agency or 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~~Agency 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~~
10. Portfolio Design

The Committee ~~has established~~will establish a long-~~-~~term asset allocation (refer Table 1 below) consistent with ~~its~~each Agency Board's investment ~~beliefs~~risk appetite, the default investment allocation ranges as set out in Table 2 below, and the specific requirements of its investment mandate. ~~The investment mandate sets~~ Whilst ranges are provided for each asset allocation area in Table 2, it is expected that the optimum mix would a ~~return hurdle~~50/50 split between growth and defensive assets with an indicative upper limit 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~~ 75/25 growth/defensive split of each Agency's investable funds.

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~~will 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~~ It is noted that within each of these broad categories, there are multiple subcategories (eg. equities will have both domestic and international components etc). The Committee envisages a high degree of substitutability within these categories, but will operate within relatively narrow limits between the categories.

Table One

Categories of Potential Investments

Category	Definition	Sectors covered
Listed equities	Exposure to corporate enterprise gained through public markets	Australian equities, global developed market equities, global emerging market equities
Social Impact Bonds (SIBs)/Alternatives	SIBs provide a funding mechanism to enable social service providers to enter into outcomes-based contracts with government	Social Services

Debt (including Bonds & Hybrids)	Exposure to the credit component of interest-bearing securities which provide coupon rates of return Hybrids, although classified as debt, may convert to equity	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 (Table 2) sets out the expected default allocation to these broad categories over the long term. This default 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~~appropriate 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.~~

The below is a broad guide to be followed by the Committee and Agencies.

Table Two
Default Investment Allocations

Asset Classes or Categories	**~~Target~~Strategic Allocation**	**Ranges**
Listed Equity *NB No private equity allowed*	~~45%~~ 30%	0% - 65%
Social Impact Bonds/Alternatives	5%	0-10%
Debt (including Bonds & Hybrids)	~~25~~45%	0% - 60%
Tangible Assets ~~(excluding Manses & Office accommodation)~~	~~0~~10%	0 - 25%
Cash & Cash Equivalents	~~30~~10%	0% – 100%
Total capital allocation	**100%**	

Given the above ranges, Agencies have a discretion to allocate their investment portfolio (having received advice from the Committee) between growth/defensive assets. Agencies having a higher investment risk appetite would have a higher proportion of their portfolio in growth assets vs defensive assets (such as a 75%/25% allocation).

It is important to note Investment Managers' use of both Strategic (long term settings) and Tactical (reflecting current market conditions) considerations in managing investments. Where Investment Managers consider certain markets may be more fully priced (downside risk), they may seek to reduce exposure to that asset class and tactically reduce the exposure, and vice versa where markets are considered potentially under-priced. In noting the above, it is important to note that the Committee encourages Agencies to seek investment returns based on "time in the market" as opposed to "timing of the market".

~~12.~~ 11. Risk Management

The investment mandate requires the Committee~~, in investing the property, to~~ to work with Assembly and Agencies to, amongst other things, 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~~significant 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~~objectives set by the Assembly Agencies, the Committee acknowledges that this means that a proportion of ~~the property~~investments 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)~~

12. ~~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) Liquidity Risk~~

~~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~~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~~investments is 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~~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, and/or any broader Assembly considerations.

~~15~~ 13. Risk Management Controls

The Committee will apply ~~the following~~ risk management controls over its investment advisory process~~:~~, which will include the following -

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 including:

- ~~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;~~A key control is the separation of Investment Managers from the custodian of the assets. This will ensure all transactions initiated by the investment managers are tracked and reported accurately. Appropriate due diligence checks will be performed on the selected custodians.

All investment funds are required to meet all legal and regulatory requirements. All investment funds will also need to provide audited financial statements annually to provide the Committee, and the relevant Agency, with assurance as to the existence, valuation and any other underlying commitments relevant to the investments held. It is noted that the AIAC regularly reports to AFARC and likewise, AFARC regularly reports to the ASC.

14 ~~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; and

- ~~Within each authorised investment exposure limit as set out in Appendix 2,~~ no more than ~~50~~5% of each Agency's and Assembly consolidated funds may be invested in one ~~organisation~~security without Committee approval even if within delegations~~;~~.

Where funds are being placed into a ~~managed fund~~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~~ is over-ridden if the ~~presumption that~~Fund Manager has an ~~existing~~appropriate diversification rule ~~would be~~ in place ~~by the fund manager~~.

~~18~~ 15. 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~~ 16. 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; and
- 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.

All **~~20. Delegations~~**
~~The following~~ investment ~~processes and delegations~~decisions are ~~to be applied.~~
~~Within~~made by the ~~confines of this policy,~~respective Agency, in conjunction with the ~~Finance and Administration Manager has~~advice provided by the ~~delegated authority to:~~AIAC.

- ~~17determine 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 and its relevant agency, 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~~The Assembly office, through the work of the Finance and Administration team, is responsible for executing investment decisions made by each respective Agency. All investment changes must be made with reference to the Assembly's internal controls policies including delegations or authority, separation of duties, and dual authorisations.

18. Ethical~~/SRI~~ / Social Responsible Investment 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~~and ESG[1] Investment Policy[2] Principles as its benchmark. The ~~Policy examines~~Principles examine 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 be cognizant of the published Ethical and ESG Investment Policy when providing advice to Assembly and its Agencies.

19. Gearing, Derivatives and Hedging Policy

The Assembly or Agencies will not directly borrow or enter into derivatives or hedging contracts for the purposes of managing 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.~~nor will the Committee advise such practices.

However, it is acknowledged that these activities may occur indirectly through the managed products the designated Investment Managers might invest in as part of managing the Funds.

20. ~~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.~~

[1] ESG: Environmental, Social and Governance

[2] https://www.unitingfinancial.com.au/wp-content/uploads/2018/10/Uniting-Church-Ethical-and-ESG-Investment-Policy_June-2016-FINAL.pdf

~~**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)~~ ~~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~~ ~~2nd Tier / A- to A+~~ ~~Regional / BBB- to BBB+~~ ~~Other ADI / Unrated~~	~~50~~ ~~20~~ ~~10~~ ~~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.~~

Review and Publication

This Policy shall be subject to review at least annually, with results thereof reported to AFARC and / or ASC as appropriate.

This Policy may be amended by the ASC after it has received advice from the Committee and AFARC.

The Policy will be available upon request to the ASC, Agencies or entities of Assembly or their governance bodies.

Submitted to Assembly Standing Committee 27 – 29 August 2021

DOCUMENT HISTORY

- *Approved by Assembly Standing Committee 24 – 26 August 2012*
- *Updated and Approved by Assembly Standing Committee 27 - 29 August 2021*