

## INVESTMENT POLICY STATEMENT

This investment policy aims to provide a framework for actively managing the investment assets of TasBuild Limited (“TasBuild”), as Trustee for the Construction Industry Long Service Fund (“the Fund”).

Due to TasBuild’s small management structure and size of financial assets, key monitoring procedures are mandated in this policy document.

### PURPOSE

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To:

- Establish a clear understanding of the Funds investment goals and objectives
- Define and assign responsibilities for investing activities.
- Offer guidance and define limitations regarding the investment of the Fund’s assets.
- Manage the Fund’s assets according to prudent standards and consistent with the Fund’s objectives, Articles of association and principles of good governance.
- Establish the relevant investment horizon for which the assets will be managed.
- Establish a basis of evaluating investment results.

### SCOPE

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This Charter applies to the TasBuild Board and Investment Committee Members.

### INVESTMENT GOALS AND OBJECTIVES

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The primary goal of the investment portfolio is:

- Income: To enable TasBuild to carry out its objectives as determined by the Trustees.
- Growth: To increase the Fund’s asset base to ensure assets held in the Fund outweigh those of the liabilities

The primary objectives in the investment of assets shall be:

- Average Weekly Ordinary Time Earnings + 2.0% over rolling 5 years periods after investment fees
- Chance of negative return, 1 in 5 years
- To outperform the asset weighted benchmark return, comprised of relevant market indices, by 0.5% p.a. (after investment management fees) over rolling 12 month periods.
- Achieve and maintain an asset value that is not less than 110% of the financial statement value of liabilities

Investment return is to be measured on the basis of total return; that is, the aggregate return from capital appreciation and dividend and interest income.

Asset class benchmarks are to be agreed with the Implemented Consultant(s) as part of the written contract with them and reviewed in terms of the contract.

### DELEGATION OF AUTHORITY

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The assignment of responsibility for investment decisions on behalf of TasBuild are as follows:

- The TasBuild Trustee Board has ultimate responsibility for the investment management of the Fund.

- Delegated TasBuild staff are responsible for executing the day-to-day financial transactions within delegations and consistent with the provisions of this policy. The delegations from the Trustee Board that relate to investment activity are contained within Schedule 1 of this policy.
- The TasBuild Board has elected to appoint an Implemented Consultant with responsibility for the provision of strategic investment advice along with designated authority on the selection of underlying investment managers in a Multi-Manager Fund structure. The underlying investment managers have discretion to purchase, sell or manage the specific investments that will be used to meet the investment objectives of the Fund.
- Arrangements with any external entity or party must be in writing, comply with the provisions of this policy and be signed on behalf of TasBuild by persons with delegated authority.

## **ASSIGNMENT OF RESPONSIBILITY**

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The specific responsibilities of the Trustee Board relating to investment management include:

- Approving the investment policy including objectives and guidelines that will direct investment activities.
- Approving the appointment and termination of external investment professionals specifically including Implemented Consultant(s).
- Monitoring and evaluating the performance of investments and of Implemented Consultant(s).
- Monitoring the performance of the Implemented Consultant(s) to assure adherence to policy guidelines and contractual undertakings.
- Re-visiting mandatory monitoring procedures at least annually
- Monitoring the criteria fundamental to the making of each investment as to its business philosophy, its management process and personal dependency.

The specific responsibilities of the delegated staff relating to investment management include

- Participating in: the formulation and execution of investment policy, objectives, and guidelines; evaluating Implemented Consultant(s); measuring and reporting investment performance; and other tasks as deemed appropriate.

The Implemented Consultant will proactively notify TasBuild on any investment related issues arising in respect of the Portfolio requiring urgent attention. Such notifications will be in a timely manner on identification of such an issue. Further, the Implemented Consultant will provide to TasBuild, in a proactive manner, investment related research relating to investment themes and/or new investment products and ideas which are considered to be of relevance to the TasBuild Portfolio. Issue of relevance will also be brought to the attention of TasBuild at the regular quarterly meetings.

Specific responsibilities of the Implemented Consultant(s) include:

- Discretionary investment management including decisions to buy or sell individual securities, either directly and/or via specialist Implemented Consultants, and to alter asset allocation within the limitations set out in this policy.
- Reporting, on a timely basis, monthly investment performance results (as detailed in Section 12).
- Providing monthly valuation of the investment portfolio based on the previous month's closing prices.
- Communicating any major changes to economic outlook, investment strategy, or any other factors that may affect investments, or investment objectives.
- Provision of investment advice in regard to:
  - Short term - Rebalancing of asset classes (consistent with the cash flow profile given to it by TasBuild);
  - Medium term - advice in regard to the valuation of asset classes that TasBuild invests in - including detailed recommendations as to whether TasBuild should position its growth and defensive assets either at target, underweight or overweight and reasons why;

- Long term - revisions to the investment strategy of the fund - based on such factors as Tasbuild's solvency, levy and membership profile as they may impact TasBuild's investment objectives.
- The advisor is also expected to put forward new asset classes where appropriate".
- Informing TasBuild regarding any qualitative change in the investment management organisation. Examples include changes in portfolio management personnel, ownership structure, investment philosophy, etc.
- Reporting on a prompt basis any breaches of policy and or contractual undertakings
- Provide annually copy of the certificate of currency demonstrating evidence of professional indemnity insurance.

## **GENERAL INVESTMENT PRINCIPLES**

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Investments shall be made solely in the interests of the Fund.

Investments shall be made with care, skill, prudence, and diligence.

Investment of funds shall be so diversified as to minimise the risk of large losses, unless under the circumstances it is clearly prudent not to do so.

TasBuild may employ one or more Implemented Consultants to attain its investment objectives (Schedule 2).

TasBuild is to monitor internal cash holdings and ensure cash is employed productively at all times.

Cash at bank should not exceed \$150,000.00, any surplus is to be moved into an "at call investment account" or other short term cash equivalents.

An amount equivalent of up to three months of entitlement payments will be held in a combination of:

- At Call Interest bearing Account;
- Short Term TD; and
- Medium Term TD.

The Medium Term TD is not to exceed \$2 million and deposits are to be managed to achieve a strategic holding of "At Call", short term and medium term investments to provide access to liquidity if events occur that lead to unexpected liquidity demands.

Internal cash holdings should not exceed 5 percent of the value of total assets without reference to the Board. When the threshold is exceeded by \$500,000 the Implemented Consultants are to be advised and requested to provide an investment recommendation for Board approval. On Board approval, arrangements are to be made for transfer of the approved to the managed investment portfolio.

## **VOLATILITY OF RETURNS**

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In order to achieve its objectives, it is understood that investment returns will experience volatility and fluctuations in market value. The Trustees will tolerate volatility as measured against the volatility of a comparable market index in each asset class. The benchmarks used as a measure of an Implemented Consultant's performance will also be used to benchmark volatility (risk).

In the event of volatility outside the applicable benchmark, the Implemented Consultant(s) should provide explanations in a timely manner, either in writing or in person, for the consideration of the Trustees.

## **LIQUIDITY AND CASH MANAGEMENT**

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To minimise the possibility of a loss occasioned by the sale of a security forced by the need to meet a required payment, delegated TasBuild staff will notify the Implemented Consultant(s) of significant cash flow requirements in a timely manner, to allow sufficient time to build up necessary liquid reserves.

## **ASSET ALLOCATION**

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Asset allocation refers to the mix of investments, for example, the mix of investments in cash versus in fixed term bonds or equities.

This investment policy requires an allocation between asset classes as specified in Schedule 4.

## INVESTMENT GUIDELINES

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### General Principle

TasBuild has a need for a consistent annual income stream.

### Allowable Assets

- As outlined in the Product Disclosure Statement
- Other investments approved by the Trustees

### Non-allowable Assets

TasBuild and its Implemented Consultants will not undertake day-to-day management of derivative instruments. Implemented Consultants are permitted to use futures, options and other derivative instruments to assist with the effective management of the portfolio's assets. However, these instruments may not be used to gear the portfolio. Where Implemented Consultants are permitted to short securities these positions shall not result in the portfolio being exposed to a greater amount than the capital invested.

In addition, where derivatives are used, an appropriate policy on the use of derivatives should be maintained and adhered to by the Implemented Consultant and underlying Investment Managers. On an annual basis, TasBuild will request from the Implemented Consultant and/or Investment Managers a copy of the Derivatives Policy along with confirmation of adherence to the Derivatives Policy.

### ESG Policy

Investment in accordance with ESG principles will improve investment performance in the long term. We will review the ESG Policies of our Implemented Consultants and managers to ensure they meet with our objective in this area. Direct investment in assets classes by TasBuild Limited will need to meet our ESG Policy requirements.

TasBuild believes ESG factors can impact investment risk and returns over the long term, and should be considered when choosing investment funds or managers.

TasBuild aims to understand any material ESG risks embedded in its investments, and manage them accordingly. This includes managing any risks that could jeopardise TasBuild's reputation.

Some products or services should be excluded from the investment portfolio due to their significant negative impact on society and/or the environment. TasBuild will avoid knowingly investing in:

- entities directly involved in the primary manufacture of complete tobacco products;
- entities directly involved in producing controversial weapons including, the manufacture of cluster munitions, landmines, biological or chemical weapons
- entities that are involved in proven, severe and ongoing abuses of human rights, or corrupt business practices.

and wherever possible will minimise or eliminate exposure to entities that unnecessarily make a major adverse contribution to climate change.

TasBuild will look to invest in the sustainable industries and businesses of tomorrow, provided these are consistent with its risk appetite and are expected to contribute to TasBuild's long-term investment objectives.

## FINANCING AND OPERATING ACTIVITIES

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The amount of funds available for investment is limited by the demand for funds for financing and operating activities of the Fund. Financing and operating decisions may therefore significantly increase or decrease the investment returns to the Fund.

Financing decisions, for example, the offering of internal loans and/or loans to associate entities, should be evaluated against benchmark returns for investment funds. Internal loans, loans to associate entities and other similar financing decisions should be required to deliver a return equal to the investment benchmark. If this cannot be achieved, then consideration should be given to external financing.

Management decisions with significant impact on operating cash flows should be evaluated to determine if alternative financing arrangements can be entered into so as to maximise investment income.

All major cash flows arising from financing or operating decisions which impact on available funds for investment are to be reported in the monthly investment report prepared by TasBuild staff.

## **IMPLEMENTED CONSULTANT PERFORMANCE REVIEW AND EVALUATION**

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Performance reports generated by the Implemented Consultant(s) shall be compiled monthly.

- The investment performance of total portfolios, as well as asset class components, will be measured against performance benchmarks specified in schedule 3 below, in addition to the market index asset class benchmarks agreed with the Implemented Consultant(s).
- Consideration shall be given to the extent to which the investment results are consistent with the investment objectives, goals, and guidelines as set forth in this policy.

The Trustees intend to evaluate the portfolio(s) over at least a three-year period, but reserves the right to terminate a manager for any reason including the following:

- Investment performance that is significantly less than anticipated given the discipline employed and the risk parameters established, or unacceptable justification of poor results.
- Failure to adhere to any aspect of this statement of investment policy, including communication and reporting requirements.
- Significant qualitative changes to the investment management organisation.

The Board shall formally review the Implemented Consultant(s) on not less than an annual basis regarding performance, fees, personnel, strategy, research capabilities, organisational and business matters, and other qualitative factors that may impact their ability to achieve the desired investment results.

## **REPORTING AND OVERSIGHT**

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Implemented Consultants staff will prepare a monthly investment report (not exceeding 3 pages in length) that will be included in the papers for the next Board Meeting.

The Investment Report should contain three basic elements:

- Asset Allocation Information - Asset values and asset class percentages versus target allocation and ranges.
- Investment Performance - Investment returns versus performance benchmarks.
- Guideline Compliance - A statement that each portfolio conforms to guidelines or identification where variances occur.

The Board will review performance of investments during quarterly meetings. This includes reviewing the monthly investment reports prepared by the Implemented Consultant(s).

To assure the continued relevance of the guidelines, objectives, financial status and capital markets expectations as established in this policy, the Trustees will review this investment policy at least annually.

## **ASSOCIATED DOCUMENTS**

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- Investment Committee Charter
- Investment Beliefs and Principles
- Investment Strategy
- Investment Thesis