Investment Policy

Section 1 - Audience

(1) This policy should be read and understood by Council members, Finance & Infrastructure Committee members, Executive Leadership Team members, the Chief Financial Officer (CFO), Financial Services staff, and executive staff of controlled entities.

Section 2 - Executive Summary

(2) The University of Newcastle's (University) economic capital is principally invested in its current strategy in the form of property, plant and equipment, and working capital requirements. In addition, a portion of economic capital is held for endowments and other restricted purposes. All remaining economic capital is discretionary capital that is available for investment in future strategy and in the University's investment portfolio.

Section 3 - Purpose

(3) This policy:

a. sets out the principles underpinning the management of the University's investment portfolio, including its real property investments;
b. supports compliance with legal and regulatory requirements;
c. supports the University's goal of enhancing the overall wealth and fiscal capacity of the University; and
d. states the University's intention to incorporate Environmental, Social and Corporate Governance (ESG) factors in the management of its investment portfolio.

Section 4 - Scope

(4) This policy applies to the investments of the University and its controlled entities. Controlled entities are included in this Policy's scope due to the impact they have on the University's consolidated financial position, financial performance, cash flows, and reputation.

(5) This Policy does not apply to investments created or entered into as part of the University's Spinout Framework (please see Spinout Procedure).

(6) Clauses 7(a), (12) and (33) do not apply to transactions that are entered into for the purpose of acquiring goods or services to meet operational requirements of the University and that are classified as 'investments' under the Australian Accounting Standards. These investments will not be considered part of the Strategic Investment Pool (SIP), Philanthropic Fund (PF) or Internally Managed Fixed Interest (IMFI) investments for internal reporting purposes. Transactions of this nature must be conducted in accordance with the requirements of the Procurement Policy and its associated documents, and the University's delegations of authority (see Delegations Register).

Section 5 - Principles

(7) All amounts invested must be invested in:

a. accordance with the strategic asset allocation target sectors; and
b. a manner consistent with the Ethical Framework, Environmental Sustainability Plan and ESG framework set out in Section 7 of this Policy.

(8) Direct investments must be managed in accordance with the University's credit risk framework:

Table 1 – University of Newcastle Credit Risk Framework

Long Term S&P Rating	Maximum Portfolio Exposure per Long Term – S&P Rating	Maximum Exposure to any ADI*
AAA (+ or -)	100%	50%
AA- A(+ or -) A(= or -)	60%	25%
BBB+	30%	10%
BBB BBB-	20%	5%
Unrated	10%	5%

*ADI means Authorised Deposit-taking institution

(9) Investments with the approved Investment Portfolio Managers or External Investment Managers may comprise both individual investment mandates and co-mingled investment vehicles and:

a. where it is feasible to do so, the University will seek to facilitate the implementation of relevant ESG considerations and to target tax efficiency where appropriate;
b. where co-mingled investment vehicles are used, the University will integrate ESG considerations into the due diligence and evaluation processes for selecting the Investment Portfolio Manager and the External Investment Manager, and for the purpose of ongoing monitoring of each manager.

(10) The University seeks to maximise the investment returns of investment assets within specified risk profiles, consistent with international best practice for institutional and endowment capital investment.

(11) The management of the investment portfolio must be consistent with the University meeting its contractual obligations and, when applicable, meeting its duties and obligations as trustee.

(12) The investment returns and risk measures must be regularly assessed against benchmark indices and return objectives, consistent with the investment strategic asset allocation target sectors.

(13) Investment in real property may be undertaken either:

a. where it supports the University's strategic plan and statutory object (as defined in the University of Newcastle Act 1989); or
b. where it is required to be undertaken by the terms upon which the University acquired or received property.

(14) Separate target returns may be set for real property.

(15) The University's long-term investments include Philanthropic Funds (PF) and Strategic Investment (SIP) pools. The University maintains separate funds where invested funds have different investment strategies, objectives, and risk tolerance.

(16) The PF seeks to meet intergenerational responsibilities to enable a sustainable level of income generation. The net investment return target for the PF should exceed the average percentage rate of inflation plus 4%, over a full investment cycle exceeding 5 years. The PF portfolio strategic asset allocation target sectors should comprise a mix of growth investments and defensive investments consistent with achieving its investment return objective.

(17) The SIP assets include funding for operations and capital commitments in line with the University's Capital Management Plan and the spending commitments, and where appropriate, income support for operations. The net investment return on amounts invested in the SIP should exceed the average percentage rate of inflation plus 3%, per annum, over a full investment cycle exceeding 3 years. The strategic asset allocation target for SIP investment portfolio should comprise 65/35 growth/defensive investments consistent with achieving its investment return objective. The University must monitor its asset allocation targets on a quarterly basis and rebalance to maintain the target allocation. Where significant market movements (greater than 10% of any one fund allocation target) occurs, Financial Services must consult with the Investment Portfolio Manager and take appropriate action within 5 business days.

(18) The IMFI deposits should equal or exceed the Bloomberg AusBond Bank Bill Index return over 12-month periods; be invested within Australian money market instruments in accordance with Table 1 University of Newcastle Credit Risk Framework; and be consistent with meeting its investment return objective. The University aims to maintain a target allocation for 77% of SIP and 23% of IMFI, rebalanced quarterly or more frequently if significant (greater than 10%) market movements occur. The net investment return on amounts for the total SIP and IMFI should exceed the average percentage rate of inflation plus 2.5%, over a full investment cycle exceeding 3 years.

(19) The University must manage its investment portfolio to support capital and operational requirements in addition to utilising debt facilities, in accordance with the University's Debt Management Procedure.

Section 6 - Government and Corporations Counterparty Credit Exposure

(20) The University may utilise government and corporate bonds as a defensive asset within its IMFI portfolio.

(21) Counterparty limits must be managed within the University Credit Risk Framework and individual ADI exposure must be assessed against all investment types.

(22) To support diversity and risk management of counterparty credit exposure, investments must be managed within Counterparty Credit Exposure Limits:

Table 2 – University of Newcastle Counterparty Credit Exposure Limits

Investment Type	Percentage of Portfolio
Senior (secured and unsecured debt)	0 – 80%
Subordinated debt	0 – 40%
Hybrids	0 – 20%

(23) Counterparty credit instruments can be invested in hybrid securities and combined with subordinated bonds, however, these two instruments cannot exceed 50% of the portfolio.

Section 7 - Controlled Entities

(24) Investment of excess cash by controlled entities must be in accordance with the principles of this policy.

(25) The University must, where practical, utilise its approved Investment Portfolio Manager to support the investment of funds on behalf of it's controlled entities. Where University appointed Investment Portfolio Managers are not suitable for a controlled entity, the University may consider requests from the board of the controlled entity to appoint alternative Investment Portfolio Managers that service the requirements of the controlled entity whilst maintaining compliance with this policy.

(26) Controlled entities operating outside of Australia may invest in regulated investment products denominated in their functional currency (e.g. SGD), provided such investments align with the University's liquidity, capital preservation and credit risk principles, and are benchmarked against an appropriate local benchmark (e.g. 3M Compounded SORA for Singapore).

(27) Direct investments must be managed by the University, on behalf of the controlled entity.

Section 8 - ESG Framework

(28) The University believes that ESG factors including climate change and public health and safety can impact investment risk and returns and should be considered when choosing investment funds and managers for the SIP and PF.

(29) As a University committed to leadership in sustainability, the University seeks to understand any material ESG risks embedded in its investments and manage them accordingly. This includes managing any risks that could jeopardise the University's reputation.

(30) The University must only engage an Investment Portfolio Manager and External Investment Managers who incorporate ESG factors in their investment processes.

(31) The Investment Portfolio Manager is required to report on and rate the ESG capabilities and performance of the investment managers, including the Investment Portfolio Manager, the External Investment Managers and co-mingled investment vehicles. This will include:

a. benchmarking managers to encourage improvement of their ESG ratings over time; and
b. measuring and monitoring the carbon footprint of the University's listed equity investments, with the aim of keeping the carbon footprint below the relevant market indices, and investing in a manner that is consistent with the University's broader sustainability commitments, and the targets underpinning the Paris Agreement to limit global warming to no more than 2 degrees centigrade by 2100.

(32) Some products or services should be excluded from the investment portfolios if they are inconsistent with the University's Principles as outlined in its Ethical Framework, provided there is no significant additional investment risk that might jeopardise the investment objective. The University must not knowingly invest in entities:

a. directly involved in the primary manufacture of complete tobacco products;
b. directly involved in the manufacture of cluster munitions, landmines, biological or chemical weapons (see the Anti-Personnel Mines Convention Act 1998 (Cwth), the 2008 international treaty, 'Convention on Cluster Munitions', the 1975 Convention Against Biological Weapons and the Chemical Weapons Convention of 1997); or
c. that are involved in proven, severe and ongoing abuses of human rights or corrupt business practices.

(33) The University may exercise its ownership rights, including share voting rights (or similar), in a manner consistent with its ESG framework and the principles of good stewardship of the assets in which it has invested. This will include:

a. appointing a specialist proxy voting firm to assist in this function, or ensuring that its Investment Portfolio Manager has done so, where appropriate;
b. supporting the principles of good governance and a transition to a low carbon economy which contribute to long term investment value and a sustainable economy;
c. supporting disclosure by companies of any material exposure to economic, environmental, and social sustainability risks and how they manage or intend to manage those risks;
d. supporting engagement through collaborative initiatives or via its Investment Portfolio Manager or External Investment Managers with corporate entities in which the University is invested, where appropriate, on a range of ESG issues including climate change; and
e. participating, directly or through agents or collaborative engagement, in the development of policy, regulation, and standard setting.

(34) The University looks to invest in the sustainable industries and businesses of tomorrow, provided these are consistent with its risk appetite and are expected to contribute to the University's long-term investment objectives.

(35) The Investment Portfolio Manager and External Investment Managers (including, as far as possible, managers of co-mingled investment vehicles) are required to report on ESG matters at least annually. These reports will address:

a. ESG integration, as represented by the ESG ratings;
b. any material ESG risk factors, including climate change risks, which could impact investment performance or the University's reputation;
c. compliance with the exclusions outlined in clause 32 above;
d. carbon footprint performance over time;
e. engagement activities;
f. proxy voting activities.

Section 9 - Risk Management

(36) Investments and deposits must be allocated to achieve appropriate diversification to reduce portfolio risk.

(37) Investments and deposits must be managed in accordance with the strategic asset allocation target sectors. This framework will be reviewed in consultation with the University's Investment Portfolio Manager at least every three years.

Section 10 - Procedures

(38) The Chief Financial Officer may, by written determination, determine procedures for the implementation of this Policy.

Section 11 - Roles and Responsibilities

Role	Responsibilities
Finance & Infrastructure Committee (FIC) of the Council	(a) monitoring and overseeing the investment activities of the University; (b) approving the appointment and termination of the Investment Portfolio Manager; (c) approving the strategic asset allocation target sectors, following consideration of advice from management and the Investment Portfolio Manager; (d) approving the ESG framework; (e) monitoring investment performance for use in acquiring goods and services; and (f) reviewing investment reports provided by management.
Chief Financial Officer (CFO)	The management of the University's investments, including: (a) managing traditional investments; (b) making recommendations to FIC about the Strategic asset allocation target sectors; (c) informing the FIC about investments made for the purpose of acquiring goods or services; (d) managing direct fixed interest investments; (e) in consultation with the Investment Portfolio Manager, appointing and terminating External Investment Managers managing investments greater than $50 million; (f) in consultation with the Investment Portfolio Manager, ensuring that the appointment and termination of External Investment Managers managing investments of $50 million or below: i. are within approved strategic asset allocation target sectors; and ii. have an investment grade rating of B+ or higher as assessed by the Investment Portfolio Manager; (g) requesting investment advice from investment consultants; (h) appointing an Investment Portfolio Custodian for the provision of services including investment performance reporting; (i) developing an investment strategy for the University; (j) in consultation with the Investment Portfolio Manager, setting sector benchmarks for performance measurement and evaluation; and (k) providing investment reports and recommendations to the FIC; (l) providing the financial scorecard detailing forecast and year to date results to Council at each Council cycle; (m) providing lead indicators on a 6 monthly basis, consistent with the Long Term Financial Plan on the capital management subset of trend indicators; and (n) providing regular updates on management of Financial Services' understanding of the levers that influence investment outcomes.
Investment Portfolio Custodian	Subject to the terms of the relevant contractual arrangement, the Investment Portfolio Custodian will be engaged by the University and be responsible for holding the University's investment assets in safe custody.
Investment Portfolio Manager	Subject to the terms of the relevant contractual arrangement, the Investment Portfolio Manager will be engaged to assist management of Financial Services in: (a) developing and refining the Strategic asset allocation target sectors; (b) managing investments; (c) identifying, selecting and monitoring external investment managers; (d) specific portfolio modelling; (e) performance monitoring; (f) developing and implementing the integrated ESG framework.

Status and Details

Status	Current
Effective Date	26th August 2025
Review Date	26th August 2028
Approval Authority	Finance & Infrastructure Committee
Approval Date	15th August 2025
Expiry Date	Not Applicable
Responsible Executive	Michael Di Rienzo Chief Financial Officer
Enquiries Contact	Michael Di Rienzo Chief Financial Officer Financial Services

Glossary Terms and Definitions

"University" - The University of Newcastle, a body corporate established under sections 4 and 5 of the University of Newcastle Act 1989.

"Carbon footprint" - A measurement of the weighted average carbon intensity (WACI) of the portfolio. The WACI represents the Scope 1 and 2 greenhouse gas emissions for each portfolio company, normalised by sales in US dollars, as a proportion of the portfolio. WACI is the preferred carbon footprint metric recommended by the Financial Stability Board Taskforce or Climate Related Financial Disclosure (TCFD).

"ESG rating" - A rating of each investment manager's capability in considering and integrating ESG factors as both investment risks and opportunities into their investment decision-making processes. ESG ratings are provided by the investment portfolio manager and are typically available for most asset classes other than cash.

"Credit risk framework" - The credit limits approved by Finance Committee based upon rating agency credit ratings for different categories of defensive investments.

"Investment Portfolio Manager" - A consultant approved by Finance Committee and appointed under an investment advice and management agreement to advise on and manage the University's investment portfolio.

"Specialist proxy voting firm" - An entity that provides specialist shareholder voting services and exercises shareholders' voting rights on behalf of the University in accordance with an agreed voting mandate.

"Risk" - Effect of uncertainty on objectives. Note: An effect is a deviation from the expected, whether it is positive and/or negative.

"Risk management" - The co-ordinated activities of assessing, controlling, monitoring, and reviewing risk in the pursuit of the University's objectives.

"Risk appetite" - Risk appetite is the amount and type of risk that an organisation (or individual) is willing to accept or pursue in order to achieve its objectives.

"Risk profile" - A comprehensive and structured assessment that outlines the types, sources, likelihood, and potential impact of risk. It provides a snapshot of the current exposure to risks and highlights areas of vulnerability, control effectiveness, and risk mitigation priorities. A Risk Profile is used to inform decision-making, allocate resources,

and ensure alignment with the organisation’s risk appetite.

"Asset" - Any tangible or intangible item (or group of items) that the University owns or has a legal or other right to control and exploit to obtain financial or other economic benefits.

"Benchmark indices" - Performance measures, over the appropriate time frame, used to assess the performance of either or both an investment manager or investment portfolio.

"Co-mingled investment vehicle" - Investment vehicle with an External investment manager in which the investment amounts of multiple parties are pooled, and parties share in the investment returns of the pool of assets owned by the vehicle.

"Controlled entity" - Has the same meaning as in section 16A of the University of Newcastle Act 1989.

"Discretionary capital" - The University’s non-restricted assets and includes endowment assets and real property assets not allocated to a specific purpose, accumulated reserves, and provisions.

"Endowment capital" - A sum of money where the principal is managed in a way that seeks to preserve or grow its value in perpetuity.

"ESG framework" - The system of incorporating ESG considerations into the evaluation of investment manager selection or the determination of investment strategy.

"External Investment Manager" - A party external to the University appointed to manage investments under an investment management agreement, managed investment schemes or partnerships.

"Individual investment mandate" - An investment with the Investment portfolio manager or an External investment manager in which the University’s investments are held directly for the benefit of the University and are not co-mingled with investment amounts of other parties.

"Investment Portfolio Custodian" - An external entity responsible for safekeeping securities, and collections and disbursements of related payments and receipts attaching to the securities. Additional services may include investment performance reporting.

"Staff" - Means a person who was at the relevant time employed by the University and includes professional and academic staff of the University, by contract or ongoing, as well as conjoint staff but does not include visitors to the University.

"Term" - When referring to an academic period, term means a period of time aligned to an academic year for the delivery of a course in which students enrol and for which they are usually charged fees for example semesters, trimesters, summer, winter or full-year term. The academic year for a term is determined by the academic year in which the course commences, not concludes. For all other uses of this term, the generic definition applies.

"SIP" - Stands for Strategic Investment Pool, which holds discretionary capital allocated by the University to achieve its long-term investment objectives, with investments held for a period in excess of 3 years.

"Direct investments" - Investments enacted and managed directly by the University.

"Money market instruments" - Short-term, highly liquid, and low-risk debt securities with maturities of one year or less. These instruments are typically used by institutions to manage short-term funding needs and liquidity.