INVESTMENT POLICY

Of

The Communications, Electrical, Electronic, Energy, Information, Postal, Plumbing and Allied Services Union of Australia

Electrical Energy and Services Division

South Australian Branch (CEPU SA)

ABN: 71 649 076 521

INVESTMENT POLICY STATEMENT

Date Issued:	4 July 2019
Evaluation and Review:	4 July 2020
Approved by:	CEPU SA Branch State Council 3 July 2019
Responsible Officers:	CEPU SA Branch Secretary and Assistant Secretary
Asset Mix:	Asset allocation of approximately 65% Growth / 35% Defensive mix

1. Purpose

This Investment Policy Statement has been prepared to provide a strategy and framework for the prudent management of CEPU SA members funds.

The purpose of this document is to:

- Outline the investment framework supporting the management of investment assets of the CEPU SA Branch.
- Define the investment policies, set benchmarks and guide the management of investment capital.
- Document the governance arrangements in relation to the management of investments.
- Ensure a framework exists to manage the investment risk in a prudent and appropriate manner.
- Establish criteria against which assets are invested, risk tolerance is determined, and subsequent performance measured.

2. Purpose

The purpose of the investments of the CEPU SA Branch is to protect and grow members capital to support the running of the union and creating income to better support the provision of member services.

3. Investment Values, Principles & Constraints

The CEPU SA Branch is committed to an investment strategy that meets the following investment principles:

a) Operating within a sustainable and responsible investment framework, so that the interests of the union can be supported and maintained to continue the unions mission.

b) The investment strategy must not at any time expose the CEPU SA Branch to risks that are inconsistent with the beliefs and values of the union, as determined by the CEPU SA State Council.

c) The CEPU SA Branch will not knowingly invest in any organisation that conducts business without due regard for the impact on workers' rights, the environment, human rights, public safety, gambling or is involved in the manufacture of tobacco related products.

d) Where possible the CEPU SA Branch will make investment decisions that align with CEPU members interests e.g. investments that create employment opportunities for CEPU members.

e) Benefits from obtaining specialist advice are maximised where external investment mandates and service agreements contain clear objectives and constraints.

f) Investments must comprise a transparent, appropriately risk adjusted and diversified portfolio with strong management, oversight and regular reporting.

4. Investment Objectives

a) The principal objective of the investment strategy is to maximise the financial return from investments, within a framework of minimising the risk of capital losses. Minimisation of the risk of capital losses will be through diversification of the investment portfolio with prudent asset allocation.

b) A return above inflation (National CPI) of at least 4% per annum (nett of fees) over a rolling 5-year period.

c) Ensuring income requirements to allow the CEPU SA Branch to assist with some of their annual running costs, should this be required.

d) The CEPU SA Branch acknowledges that in order to achieve the investment return objectives it is important that the portfolio is structured to take on a suitable level of risk and is noted as Strategic Asset Allocation. This should be assessed at least annually.

e) Investment performance objectives should be reviewed in detail to ensure all parties to the investment activity are clear as to purpose and intention of the investments.

5. Approved Asset Classes and Target Asset Allocation

The CEPU SA Branch appreciates that a portfolio's long-term returns are, in large part, a function of how capital has been allocated across the allowable asset classes. The CEPU SA Branch has determined the appropriate ranges around which investments in the allowable asset classes may be made and in doing so look to establish a neutral benchmark allocation against which future investment performance can be measured.

This policy sets the approved asset classes and target asset allocation as follows:

Asset Class	Minimum Allocation %	Maximum Allocation %	Long term target
Cash (Liquidity)	2	100	4
Domestic Equities	0	50	25
Global Equities	0	50	35
Fixed Interest	0	95	26
Property	0	25	5
Alternate Assets	0	25	5
		Total	100

A description of each of the approved assets is as follows:

Asset Class	Risk measure	Risk mitigation
Cash (Liquidity)	Low	Investment in Approved Deposit taking institutions (ADI's) & Cash Management Trusts with daily liquidity
Fixed Income	Moderate	Diversification of issuer, issue, maturity, rating, geography and seniority. Can be unhedged, fully or partially hedged
Domestic Equities	High	Diversification within sectors; limit to any individual company; limit on allocation to small caps
International Equities	High	Diversification within sectors, limits to geographies & individual companies. Can be unhedged, fully or partially hedged
Property	Medium to High	Diversification within types of property and geographic locations both domestically and globally
Alternative assets	Low to High	Assets that are expected to have a low level of correlation to traditional asset classes defined above

The CEPU SA State Council in conjunction with the chosen investment manager shall monitor and manage the portfolio having regard to the strategic weighting to asset classes. The Investment advisers will employ Tactical Asset Allocation (TAA) to adjust the portfolio towards target asset allocation as market movements impact the value of sectors, and their weight in the portfolio and also in conjunction with the prevailing economic conditions.

Where an exposure reaches the maximum allocation, it will be rebalanced back to the long-term target allocation in the most effective manner, in accordance with recommendations made by the investment advisers and approved by the CEPU SA State Council.

The CEPU SA Branch in conjunction with investment advisers will review the strategic asset allocation (SAA) on an annual basis. This review of the strategic asset allocation will consider current actuarial and economic information, and any revised assumptions for capital market returns, volatilities and correlations as well as the State Councils long-term (5-7 year) view on allocation of investment capital.

6. Reporting

The CEPU SA Branch will engage investment advisers to provide the following types of reports:

Available online

- Portfolio valuations
- Portfolio income summary

Monthly

- Portfolio performance
- Portfolio valuation
- Portfolio transactions for the period
- Portfolio income for the period
- Investment commentary and outlook including lead indicators that are influencing the portfolio.

Annually

- Summary of positions including realised and unrealised gains
- Portfolio performance
- Portfolio valuation
- Portfolio transactions for the period
- Portfolio income for the period
- Investment commentary and outlook including lead indicators that are influencing the portfolio and potentially the strategic asset allocation.

7. Roles and Responsibilities under the Investment Policy

The CEPU SA Branch ultimately retains responsibility for the investment activities and performance of their capital.

The CEPU SA State Council

- Review and approve this Investment Policy annually in July.
- Set longer term investment objectives and notify of any shorter-term capital requirements and communicate these to the relevant investment adviser.

Investment advisers

The Investment advisers must comply at all times with the terms of their appointment. Specifically, the Investment advisers will be required to comply with this Investment Policy, as relevant to their responsibilities. This will require them to:

- Exhibit an understanding of investment beliefs and the overall investment framework within which the CEPU SA Branch operates.
- Satisfy investment objectives and provide reporting as required to evidence this.
- Provide asset allocation and specific investment advice as agreed.
- Provide investment education for the CEPU SA State Council as required.
- Conduct a face to face annual review meeting with the CEPU SA State Council.
- Provide any reporting to the CEPU SA Branch nominated auditor or accountants as required.

8. Review of this Policy

This policy will be reviewed annually in July by the CEPU SA State Council.

Policy Initiated	Last reviewed	Next review by
4/7/2019	4/7/2019 By: CEPU SA Branch Council	4/7/2020

COMMUNICATIONS ELECTRICAL PLUMBING UNION
ELECTRICAL, ENERGY & SERVICES DIVISION SOUTH AUSTRALIA

John Adley
Branch Secretary
CEPU Electrical Energy and Services Division - SA Branch