

# Investment Policy

## Section 1 - Purpose and Scope

(1) Investments are undertaken to earn returns generally in the form of interest, income or appreciation in value. In some cases, investments may be undertaken in conjunction with the need to protect against the uncertainties of the future.

(2) The [University of Queensland Act 1998](#) (UQ Act) requires The University of Queensland (UQ) to provide facilities and resources for study and research and for the wellbeing of UQ's staff, students and other persons undertaking courses at UQ. The UQ Act also permits UQ to exploit commercially, for UQ's benefit, a facility or resource of UQ.

(3) The [Statutory Bodies Financial Arrangements Act 1982](#) prescribes that as a statutory body, UQ must use its best efforts to invest its funds in a way it considers is most appropriate in all the circumstances.

(4) The objectives of this Policy are to:

- a. provide the framework within which investment opportunities are assessed, appropriate investment strategies adopted, and investment performance optimised;
- b. enable due diligence and informed decision making on investments; and
- c. provide assurance to Senate and management that investments are managed appropriately and investment objectives and returns are being achieved.

(5) This Policy applies to all investments undertaken by UQ unless otherwise stated. A separate policy applies for investments in controlled entities.

## Section 2 - Principles and Key Requirements

### University's Investment Objectives

(6) As per the Senate-approved Risk Appetite Statement, UQ has a very low risk appetite for pursuing any strategy that puts at risk the financial sustainability of UQ over the medium-to-long term. Further, UQ has a low appetite for application of major capital projects that are not planned and executed in a sustainable and prudent manner.

(7) Taking this into consideration, UQ's investment objectives are to:

- a. ensure sufficient funds are available when needed to support the purpose and strategic plan of the University;
- b. have a strong and adaptable balance sheet through the optimised use and allocation of capital; and
- c. maximise returns while effectively managing risks associated with those investments.

(8) In addition, UQ has a duty to ensure that endowed funds are invested and expended appropriately so as to meet donors' expectations.

## General Investment Principles

(9) All investments must comply with the [University of Queensland Act 1998](#) and [Statutory Bodies Financial Arrangements Act 1982](#).

(10) UQ must maintain a prudent reserve of cash and highly liquid investments to enable it to meet its operating needs and committed capital expenditure.

(11) All investments must be within the Senate-approved Risk Appetite Statement and meet UQ's ethical standards and values.

(12) Capital investment opportunities should be prioritised after taking into consideration their strategic value to UQ, the importance of the benefits, and the level of risks involved.

(13) The standard of prudence is to be used by UQ employees. Investments will be managed with the care, diligence and skill that a prudent person would exercise in managing the affairs of other persons. This includes having in place appropriate reporting requirements that ensure the investments are being reviewed and overseen regularly.

(14) Employees involved with investment decisions shall refrain from personal activities that would conflict with the proper execution and management of UQ's investments. This includes activities that would impair the employee's ability to make impartial decisions. Any actual, potential or perceived conflicts of interest must be disclosed to the Chief Financial Officer.

(15) The Chief Financial Officer is authorised to invest UQ's operating funds at their discretion in investments consistent with the Policy unless otherwise stated.

## Categorisation of Investments

(16) As UQ's investments are held to satisfy different objectives and risk appetites, they are managed through 3 pools:

- a. Short-term investment pool;
- b. Medium-term investment pool; and
- c. Long-term investment pool.

(17) In addition, UQ can make other strategic investments and capital investments in furtherance of its objectives.

(18) It is acknowledged that UQ also has investments in controlled entities. These are covered in a separate policy.

## Short-term Investment Pool

### Overview

(19) The short-term investment pool is for surplus funds held by UQ that are required in the short-term.

### Objectives

(20) The objectives of the short-term investment pool are as follows:

- a. To maintain a sufficient cash reserve that enables UQ to meet all reasonably anticipated operating cash flow requirements in the short-term;
- b. To ensure capital preservation by adopting a low risk profile;
- c. To provide reasonable returns commensurate with a low risk profile;
- d. To minimise liquidity, credit and counterparty risks by holding a balanced mix of short-dated money market and debt securities; and

- e. To minimise interest rate risk by investing in fixed-rate securities.

## **Strategy**

(21) The strategy of the short-term investment pool and the amount to be invested is determined by the Senate Finance Committee based on the recommendations of the Senate Investment Sub-Committee. It must take into consideration the pool's objectives, market conditions and industry benchmarks.

## **Medium-term Investment Pool**

### **Overview**

(22) The medium-term investment pool is for surplus funds held by UQ that are not required in the short term. This excludes endowed funds which form part of the long-term investment pool.

### **Objectives**

(23) The objectives of the medium-term investment pool are as follows:

- a. To provide a reasonable return on funds that are not required in the short-term;
- b. To ensure capital preservation by adopting a low risk profile;
- c. To minimise market risk by investing in managed funds that contain a well-diversified portfolio across a number of industry sectors; and
- d. To minimise liquidity risk by investing in managed funds with short redemption periods.

## **Strategy**

(24) The strategy of the medium-term investment pool and the amount to be invested is determined by the Senate Finance Committee based on the recommendations of the Senate Investment Sub-Committee. It must take into consideration the pool's objectives, market conditions, industry benchmarks, and advice from management, experts and fund managers.

## **Long-term Investment Pool**

### **Overview**

(25) The long-term investment pool is primarily for endowments received by UQ. Some endowments are held in perpetuity while others are held until they have been fully spent. The endowed funds are invested and the earnings distributed to the purposes specified by the donors.

(26) Other UQ funds can be transferred into the long-term investment pool as a co-contribution towards an endowment if approved by the Vice-Chancellor and President.

### **Objectives**

(27) The objectives of the long-term investment pool are as follows:

- a. To create a growing source of funds that can be used to support the objectives of UQ;
- b. To provide long-term capital growth as well as a stable annual income stream in perpetuity;
- c. To preserve the long-term purchasing power of the endowments;
- d. To provide reasonable returns that are consistent with donor expectations; and
- e. To minimise market risk by investing in a well-diversified portfolio across a number of industry sectors.

## Strategy

(28) The strategy of the long-term investment pool and the amount to be invested is determined by the Senate Finance Committee based on the recommendations of the Senate Investment Sub-Committee. It must take into consideration the pool's objectives, market conditions, industry benchmarks, and advice from management, experts and fund managers.

(29) Any change in external fund managers must be approved by the Senate Finance Committee.

## Strategic Investments

### Overview

(30) A strategic investment is an investment in an entity or business that provides a strategic benefit to UQ. They are referred to in this section as a "strategic investment entity". It includes all investments that are not controlled entities and are not otherwise covered by clauses 19-29 of this Policy.

(31) Examples of strategic investments include:

- a. An investment in a commercialisation/venture fund that itself invests in UQ generated research (e.g. Uniseed); and
- b. Interests in joint ventures and research partnerships (e.g. Translational Research Institute Trust).

### Objectives

(32) As a not-for-profit statutory body, UQ's decision to invest in a strategic investment entity is not purely driven by financial returns. The primary objective is to maintain or improve UQ's outcomes in accordance with its strategic objectives and priorities, while ensuring the strategic and financial benefits outweigh the financial and reputational risks.

### Initial Investment

(33) An investment in a new strategic investment entity can be made only if a business case is prepared and the investment approved by the Senate or the Vice-Chancellor and President in accordance with UQ's delegations framework.

(34) A business case must be prepared that includes:

- a. Details of how the investment aligns with UQ's strategic objectives and priorities;
- b. An assessment of the financial and reputational benefits and risks;
- c. Financial projections including a detailed cash flow forecast;
- d. The total equity investments that will be provided to the entity;
- e. An external valuation justifying the acquisition price (when acquiring an interest in an established entity); and
- f. The governance structure of the entity including any proposed Board appointments.

(35) At the time of acquiring a new strategic investment entity, the Vice-Chancellor and President must nominate an employee of UQ who is responsible for monitoring its ongoing performance.

(36) The granting of shares/units in a strategic investment entity at no cost requires no approval. However, UQ's Chief Financial Officer must be advised of the transaction to record on the investment register.

### Subsequent Investments and Sale/Wind-up

(37) Any additional investment (not otherwise provided for in the original business case), sale or wind up of a strategic investment will be made in accordance with the delegations framework.

### **Board Appointments and Voting Rights**

(38) Where the constitution of a strategic investment entity prescribes that UQ shall appoint representatives to the entity's Board, such appointments must be approved by the individual nominated by the Vice-Chancellor and President to oversee its performance.

### **Investments made by UniQuest**

(39) UQ has granted UniQuest a right to commercialise UQ's intellectual property and products derived from UQ's intellectual property. As part of this right, UniQuest may fund commercialisation opportunities and will receive equity in start-ups in accordance with its own policies. Such investments are therefore excluded from this section of the Policy.

### **Interests in Cooperative Research Centres**

(40) UQ has an interest in a number of Cooperative Research Centres (CRCs). These Centres have varying corporate structures including unincorporated joint ventures, public companies and private companies.

(41) It is highly unlikely that UQ will receive any cash return from the CRCs. Rather, UQ invests so as to access the research that they generate.

(42) Investments in CRCs are therefore excluded from this Policy as all equity contributions are expensed and no asset is recorded.

### **Capital Investments**

(43) Capital expenditure requiring Senate approval will be supported by a business case that will require review and endorsement by the Senate Finance Committee following recommendation from the Vice-Chancellor and President. The business case will include:

- a. A detailed cash flow forecast that shows the construction costs, any ongoing operating and lifecycle expenses, any related revenue streams, and the key assumptions used;
- b. Details of how the capital project aligns with UQ's strategic objectives and priorities; and
- c. An assessment of the risks and benefits of the project.

(44) Capital expenditure on projects that are within the Vice-Chancellor and President's delegation will be approved using UQ's normal expenditure delegation framework.

### **Prohibited Investments**

(45) The following types of investments are prohibited by UQ:

- a. A derivative unless to hedge a prescribed risk under UQ's foreign exchange or debt policies; and
- b. An investment that does not align with UQ's strategic direction.

## **Section 3 - Roles, Responsibilities**

# and Accountabilities

## Senate

(46) The Senate is responsible for:

- a. approving this Policy including any amendments to it; and
- b. approving investments/loans in strategic investment entities above set thresholds.

## Senate Finance Committee

(47) The Senate Finance Committee is responsible for, in consultation with management:

- a. reviewing and making recommendations to Senate in relation to amendments to this Policy;
- b. on the recommendation of the Senate Investment Sub-Committee, approving changes to the strategy of the short-term, medium-term and long-term investment pools;
- c. on the recommendation of the Senate Investment Sub-Committee, approving the appointment and removal of fund managers; and
- d. making recommendations to Senate regarding the approval of investments/loans in strategic investment entities above set thresholds.

## Senate Investment Sub-Committee

(48) The Senate Investment Sub-Committee is responsible for, in consultation with management:

- a. making recommendations to the Senate Finance Committee regarding the strategy of the short-term, medium-term and long-term investment pools and reviewing on an annual basis;
- b. making recommendations to the Senate Finance Committee and Senate regarding the appointment and removal of fund managers; and
- c. reviewing the performance of investments on a regular basis.

## Vice-Chancellor and President

(49) The Vice-Chancellor and President is responsible for:

- a. making recommendations to Senate Finance Committee and Senate regarding the approval of investments/loans in strategic investment entities above set thresholds;
- b. approving investments/loans in strategic investment entities within delegated authority;
- c. appointing representatives to the Board of certain entities and approving a voting position on resolutions at annual general meetings; and
- d. nominating an employee of UQ who is responsible for monitoring the ongoing performance of each strategic investment entity.

## Chief Financial Officer

(50) The Chief Financial Officer is responsible for:

- a. maintaining daily, monthly, and yearly cash flow forecasts;
- b. seeking the best possible rates when investing in cash funds and term deposits;
- c. ensuring sufficient funds are held in operating bank accounts to enable day-to-day payments to be made;

- d. transferring funds between operating bank accounts, cash funds, and term deposits within the short-term investment pool in accordance with the approved investment strategy;
- e. transferring funds between operating bank accounts and fund managers within the medium- term and long-term investment pools in accordance with the approved investment strategy;
- f. ensuring that effective accounting processes and procedures are in place to account for all investment transactions;
- g. maintaining a register of all investments; and
- h. maintaining all appropriate records.

## **Fund Managers**

(51) The appointed external fund managers of the long-term investment portfolio are responsible for:

- a. investing funds in accordance with the parameters set by the Senate Finance Committee on recommendation of the Senate Investment Sub-Committee; and
- b. preparing regular performance reports inclusive of market commentary.

## **Section 4 - Monitoring, Review and Assurance**

(52) The Chief Financial Officer will establish internal controls and processes that will ensure investment objectives are met and that investments are protected from mismanagement including loss, theft or inappropriate use.

(53) Any breach of this Policy is to be reported to the Chief Operating Officer and rectified as soon as possible.

(54) Any material breach of this Policy will be reported immediately to the Chair of the Senate Finance Committee and, in addition, will be reported to the next meeting of the Senate Finance Committee.

## **Section 5 - Recording and Reporting**

(55) On a regular basis, the Chief Financial Officer will provide a report to the Vice-Chancellor and President and Senate Investment Sub-Committee that includes:

- a. The performance of the short-term investment pool and comparison against targets and benchmarks;
- b. The performance of the medium-term investment pool and comparison against targets and benchmarks;
- c. The performance of the long-term investment pool and comparison against targets and benchmarks; and
- d. Details of any breach of this Policy.

## Status and Details

<b>Status</b>	Current
<b>Effective Date</b>	22nd September 2022
<b>Review Date</b>	22nd September 2027
<b>Approval Authority</b>	Senate
<b>Approval Date</b>	22nd September 2022
<b>Expiry Date</b>	Not Applicable
<b>Policy Owner</b>	Gail Jukes Chief Financial Officer
<b>Enquiries Contact</b>	Finance and Business Services