

AHPRA Investment Policy

Introduction

This document describes key investment policies of AHPRA.

Policy Approach

The Agency Management Committee has taken into consideration a range of matters in developing its investment policies including:

- the interests, risk profile and expectations of the funding National Boards
- relevant regulations issued under the Health Practitioner Regulation National Law Act
- the financial profile and liquidity requirements of AHPRA's operations
- the resources and investment expertise available to AHPRA
- the ability of existing financial control processes, delegations and compliance processes to adequately govern the management of the investment portfolio
- the scope of the AHPRA's investment program and the skills and experience of those responsible for managing the investment portfolio
- the materiality of investment earnings to the achievement of the AHPRA's goals
- the risk appetite for investments within AHPRA

After taking into account the above factors, the Agency Management Committee (AManC) has decided that adopting a simplified investment approach is appropriate for the management of the AHPRA's investment assets.

Policy Statement

Simplified Investment Approach

AHPRA has adopted a simplified investment approach which includes the following key characteristics:

- investment portfolios comprising only investments to Commonwealth and state government debt, and highly rated bank deposits and debt instruments
- assets are managed in accordance with AHPRA's existing financial control policies and processes
- delegations and authorised investments specified in its financial policies fully restrict the investment of assets to the above-mentioned low risk investments
- the AManC reviews its investment approach and the external auditors verify compliance with its financial policies and authorised investments on an annual basis.

Governance and Delegations

The AManC recognises that the Agency receives and manages funds both from government and health practitioners and invests those funds with the care, diligence and prudence in the administration of these resources as you would public money.

The Finance Audit and Risk Management Committee (FARMC) is a sub-committee of the Agency Management Committee and is responsible for Investment oversight including setting investment criteria and recommends to the Agency Management Committee any changes to the Investment Policy as and when required, consistent with their Terms of Reference

The CEO has delegated their responsibility for the development and implementation of the investment policy and procedures to the Executive Director Business Services.

The National Director, Finance and Procurement will be responsible for the day to day operations of AHPRA's Investment Policy, through administration of the Investment Procedures.

AHPRA must manage all aspects of the investment program prudently and in a manner that complies with AHPRA's financial control guidelines.

AManC Reporting

The Executive Director Business Services must provide an investment report to the AManC on a quarterly basis setting out, at minimum, the value of the portfolio and schedule of investments.

All breaches of policy guidelines must be reported to the AManC in the next scheduled meeting together with a description of any corrective action taken or planned.

Code of conduct and conflicts of interest

Staff involved in the management of AHPRA's investments and AManC members must disclose any conflicts of interest to the Executive Director Business Services. No staff member or AManC member is to accept any commission, personal financial or material non-financial benefit from an investment provider or distributor. A quarterly disclosure statement will be completed by all staff involved and will be reported to FARMC for assurance.

Stakeholder Interests

AHPRA looks to manage investments consistent with the reasonable express and implied expectations of the following stakeholders:

- the health practitioner registrants
- the 14 national boards
- Ministerial Council
- State and Territory government departments
- Public

Investment Objectives

The investment objective for AHPRA is to:

- earn market-like returns on surplus short-term funds by putting the funds to work in low risk investments in such a way that sufficient liquidity is expected to be available for projected operating expenses on a rolling six months period
- earn market-like returns or better on funds earmarked for the payment of medium to long-term outgoings by investing in a portfolio of low risk investments taking into the timing of projected future cash flows and liquidity requirements.
- ensure that no investments are locked in a way that AHPRA cannot access funds if required before the end of the term

Investment strategy

The investment strategy adopted by AHPRA is approved by the AManC and is reviewed on an annual basis.

Authorised Investments

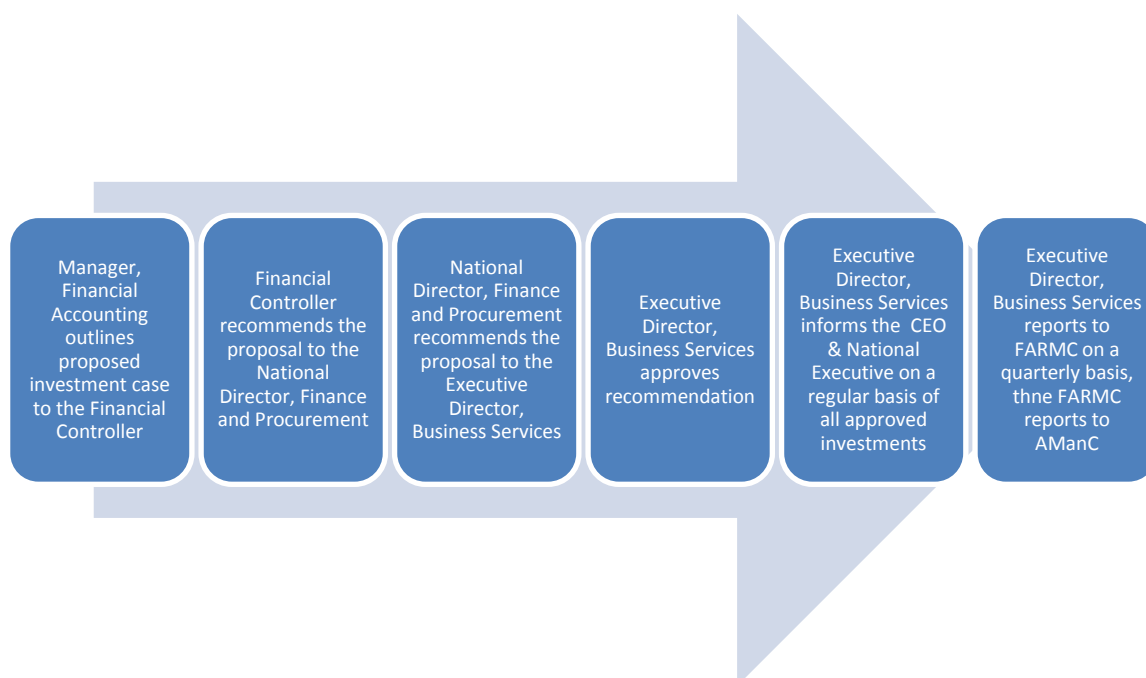
Approved AHPRA investments are limited to:

- Commonwealth or state government-guaranteed investments.
- Australian registered bank deposits, senior bank debt or bank accepted/endorsed bills.
- deposits with state government pooling agencies (e.g. TCV).

AHPRA will have no exposure to derivatives, hedge funds or structured investments.

Leverage of investment portfolios is prohibited in any form (for example, such as may arise as a result of the use of borrowed funds, leverage or investment in leveraged products or investment instruments).

Prior to any investment taking place the following approvals are required;



Investment Allocation

Refer Appendix 1.

Custody of assets

Legal title to all investment assets is recorded in a register maintained by AHPRA and audited on an annual basis.

| | |
|--------------------------|--|
| Policy Owner | Executive Director Business Services |
| Policy Number | AManC05 (version2.0) |
| Date Approved | 21 April 2015 |
| Date Commenced | 21 April 2015 |
| Date Last Amended | N/A |
| Date for Review | April 2017 |
| Policy Sponsor | National Director, Finance and Procurement |
| Policy Contact | Financial Controller |
| Amendment History | |

AHPRA Investment Policy Appendix 1

Investment Allocation

Strategic asset allocation

| | |
|---|---------------------|
| Short term Working Capital Assets (<3 months) | |
| • At call cash (up to 30 days) | 3 to 10 % of total |
| • Short Term (>30 days & <3months) | 5 to 25 % of total |
| Core funds – (>3 months and <= 5years) | 20 to 85 % of total |

Limit approval for Authorised investments

No transactions are to occur with a counterparty without an approved limit .

All counterparties must be rated by S&P or Moody's. The minimum long term rating is AA- (S&P) or Aa2 (Moody's)

In addition to the rating, counterparties must have minimum net assets of \$500 million.

Unsecured Credit Limits

Maximum unsecured credit limit parameters for each counterparty

| S&P | Moody's | Maximum Exposure (\$m) |
|-----|---------|------------------------|
| AAA | Aaa | 250 |
| AA+ | Aa1 | 250 |
| AA- | Aa2 | 200 |

Maximum exposure percentage for each investment grade rating

| S&P | Moody's | Maximum Exposure (%) |
|-----|---------|----------------------|
| AAA | Aaa | 100% |
| AA+ | Aa1 | 100% |
| AA- | Aa2 | 100% |

Maximum exposure percentage allowed for investment **duration** relating to the total investment portfolio (to be reviewed annual depending on cash forecasts) say 1.5 years

| Tenor (years) | Maximum exposure (%) |
|---|---|
| 3+ | 15 |
| 3 | 25 |
| 2 | 50 |
| To be derived from strategic asset allocation above/cash flow | To be derived from strategic asset allocation/cash flow |

Negative Watch

Where a counterparty is placed on negative watch/under review for possible downgrade, the rating is immediately assumed to be the next lower rating. Where there is a discrepancy between rating levels of the rating agencies, the lower rating is to apply.

Standard market indices

The table below contains a list of standard market indices commonly used in the investment industry to benchmark the performance of different types of professionally managed investment portfolios.

| Asset Class | Market Index |
|---|---|
| Cash | UBS Warburg Bank Bill Index |
| Australian debt securities – all maturities | UBS Warburg Composite Bond Index (All Maturities) |
| Australian debt securities – short duration | UBS Warburg Composite Bond Index (0-3 Years) |
| Australian inflation-linked bonds | UBS Warburg Inflation Linked Bond Index (0-3 Years) |