



GLEBE ADMINISTRATION BOARD **ANNUAL** **REPORT 2018**

*As trustee for the Diocesan Endowment and
the Diocesan Cash Investment Fund*



OUR PURPOSE

To advance the purposes of the Anglican Church of Australia in the Diocese by managing and controlling the property of the Diocesan Endowment in accordance with the terms of the trusts on which that property is held, and by managing and controlling other property of which we are trustee from time to time in accordance with the terms of the relevant trusts.



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2018 HIGHLIGHTS

Diocesan Endowment

- During a year of investment market volatility, a distribution of \$4.69 million was paid to the Synod for spending in 2018
- Completed the 2nd stage of the restructuring of the investments to become more like a perpetual endowment

Diocesan Cash Investment Fund

- Total funds under management as at 31 December 2018 of \$102.4 million
- Net income yield for the 12 months ending 31 December 2018 was 1.60%

CHAIR'S REPORT



Ross Smith, Chair

It is my privilege to continue to serve as chair of the Glebe Administration Board, with fellow board members who are committed and engaged, and with support from SDS.

The Glebe Administration Board exists to serve the Anglican Church in the Diocese of Sydney by managing the Diocesan Endowment and the Diocesan Cash Investment Fund as well as other property of which it is trustee.

The Diocesan Endowment is the central endowment of the Diocese which provides the main source of recurrent funding for spending by the Synod. The Diocesan Cash Investment Fund is a pooled investment vehicle which enables the cash of more than 200 separate diocesan entities to be effectively managed.

Diocesan Endowment

As trustee of the Diocesan Endowment, we remain focused on our mandate to maintain the real value of the property of the Diocesan Endowment and, subject to that requirement, to pay distributions for spending by the Synod to fund the mission goals of the Diocese.

In 2018, the investment return on the portfolio for the year was negative 0.25% (2017: positive 19.34%). The net surplus was negative \$0.08 million (2017: positive \$24.9 million). These returns reflect the general volatility in the underlying markets. The conservative distribution recommendations incorporate the probability of such events.

The Synod's current funding triennium commenced in 2019. We provided a distribution of \$2.804 million for spending in 2019 and advised an

“We aim to provide consistency in the level of distributions over the long term, but particularly during a funding triennium, so that the Synod can budget with a reasonable level of confidence.”

expected distribution of \$2.880 million for 2020 (subject to any significant adverse market movements).

We aim to provide consistency in the level of distributions over the long term, but particularly during a funding triennium, so that the Synod can budget with a reasonable level of confidence. A reliable level of distributions allows the Synod to make long term planning and budget allocation decisions that are strategic and important for the work of the Gospel. Subject to significant adverse market movements, our aim is to maintain the level of distributions, regardless of short term market fluctuations from long run average returns such as have been experienced in 2018 by investors generally.

Readers will recall the significant change in 2017 regarding the structure of the investments of the Diocesan Endowment, with the removal of its 50% interest in the St Andrew's House Trust. This restructure occurred on

CHAIR'S REPORT

“The removal of the 50% interest from the Diocesan Endowment was undertaken to enhance its performance... In 2019 this proved to be the case, with Synod having an additional \$440,000 for spending.”

1 September 2017 and involved the subsequent reallocation of this interest directly for the purposes of the Diocese at the direction of the Synod. The removal of the 50% interest saw the assets under management in the Diocesan Endowment decrease from \$161.5 million to \$100.4 million, and the 50% interest in the St Andrew's House Trust become a separate source of income for the Synod.

The removal of the 50% interest from the Diocesan Endowment was undertaken to enhance its performance through a restructure of its asset allocation to better reflect its status as a perpetual endowment. This has also had a positive impact on the quantum of combined distributions to the Synod. For the current Synod funding triennium GAB provided a distribution of \$2.804 million for spending by the Synod in 2019, and expect to make distributions of similar amounts in 2020 and 2021. While these distributions from the Diocesan Endowment are significantly less than those made to the Synod for the previous funding triennium, it is expected that, when added to the income from the 50% interest in the St Andrew's House Trust, the total income available to the Synod each year will be greater than previously. In 2019 this proved to be the case with an increase in the amount available for spending by the Synod of \$444,000 compared to the forecasts before the restructure of the investments of the Diocesan Endowment.

The restructure of the investments of the Diocesan Endowment was one of a number of important steps taken by the GAB over the last few years to fulfil more effectively its mission as the manager of the diocesan assets of

which it is trustee.

Other important steps included:

- Closing the GAB's lending business in late 2015.
- Breaking the nexus between the membership of the GAB and SDS in 2016 to enable members to be appointed to the GAB on the basis of skills and experience relevant to the GAB's mission.
- Closing the Diocesan Endowment's financial services business (Glebe Income Accounts) in 2017 in conjunction with the launch of the Diocesan Cash Investment Fund (see below).
- Winding up the last remaining subsidiary company of the GAB, Glebe Asset Management Limited, and redirecting its capital to the investments of the Diocesan Endowment.

The GAB continues to monitor its processes to ensure that an appropriate investment and governance framework is maintained where risk is monitored and managed, and there is ongoing timely reporting to key stakeholders. Within these parameters, the GAB will continue to explore ways in which it can fulfil more effectively its mission as a manager of diocesan assets of which it is trustee.

Diocesan Cash Investment Fund

In conjunction with the closure of Glebe Income Accounts in 2017, the GAB commenced operating the Diocesan Cash Investment Fund which is our new treasury structure to efficiently manage cash on behalf of diocesan organisations.

CHAIR'S REPORT

The DCIF's income yield on at call deposits for 2018 was 1.60% (compared to a target benchmark return of 1.56%).

Further information about the Diocesan Cash Investment Fund is contained later in this Annual Report.

Membership

There was one change in the membership of GAB during 2018 being the resignation of Professor Peter Wolnizer on 31 December 2018. Professor Wolnizer had served as a member since 10 November 2012. We are thankful to God for Peter's service.

I am thankful also for the ongoing contribution of my fellow members to the work of GAB, and for the continued commitment and servant-hearted approach to our work of the management team led by Robert Wicks and Isaac Kuruvilla.

Above all we thank God for His continued blessing. We continue to pray that our work, and the funds generated by our work, will bring glory to His name in the Diocese and beyond.

Ross Smith

Chair

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DIOCESAN ENDOWMENT

Purpose of the Diocesan Endowment

GAB holds the property of the Diocesan Endowment on trust for the purpose of the Anglican Church of Australia in the Diocese of Sydney. As trustee of that property we act in a way which preserves the real value of that property and subject to that requirement, enables the payment of distributions for spending by the Synod.

The way in which we fulfilled this purpose during 2018 is described below.

Financial Performance of the Diocesan Endowment during 2018

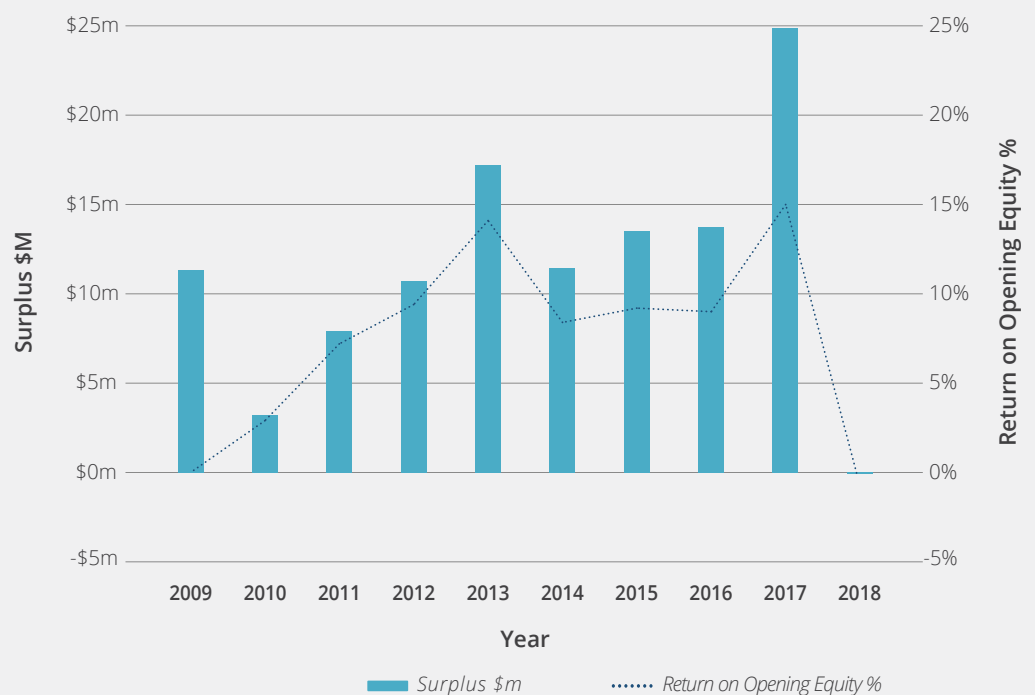
The Diocesan Endowment recorded a loss of \$80,000 in 2018. This represented a return of -0.08% on the opening equity of \$100.4 million.

Figure 1 below shows the financial results in recent years.

Subsequent Events

Investment markets rebounded in early 2019 resulting in a performance return of 5.27% for the DE over the 2 month period to 28 February 2019.

Figure 1: Financial Performance of the Diocesan Endowment in the Past Decade



Investments of the Diocesan Endowment

The Investment Policy Statement for the Diocesan Endowment sets out the objective and policies for the investment of the property of the Diocesan Endowment. A copy of that Statement can be found at www.sds.asn.au.

Mercer is the asset consultant to GAB and provides advice about the investment strategy for the Diocesan Endowment.

Investment objective

At least every 3 years, a full review of the investment objective for the Diocesan Endowment is undertaken. We completed such a review in 2017 with the assistance of Mercer. The review was undertaken as part of the restructure of the investments of the Diocesan Endowment.

“...we agreed to change the horizon over which the probability of preserving the real value of the Diocesan Endowment is measured from 10 years to 20 years.”

As a result of the review, we agreed to change the horizon over which the probability of preserving the real value of the Diocesan Endowment is measured from 10 years to 20 years. The revised investment objective is as follows -

To achieve a real rate of return over rolling 20 year periods of 3.5% per annum net of external investment management expenses and adjusted for tax effects, subject to -

- a) preserving the real value of the Diocesan Endowment over rolling 20 year periods with a 70% probability, and
- b) the sum of the distributions from the Diocesan Endowment plus administrative and other costs (not including external investment management expenses) not exceeding 3.5%, on average, over rolling 5 year periods.

In undertaking their review, Mercer determined its long term asset class returns on the basis of “market aware” assumptions. Market aware assumptions represent Mercer’s long term expected return for each asset class but also take into consideration the current levels of the markets. Use of the 2018 market aware assumptions showed that on the basis of the revised strategic asset allocation, the 20 year expected return was 7.0% per annum (7.2% in 2017) and the probability of achieving the current return objective of CPI + 3.5% per annum over the next 20 years was 75.2%. (79.8% in 2017).

DIOCESAN ENDOWMENT

Asset classes

The property of the Diocesan Endowment is invested in a diversified range of asset classes in accordance with the Investment Policy Statement.

Figure 2 below shows the breakdown of asset classes as at 31 December 2018.

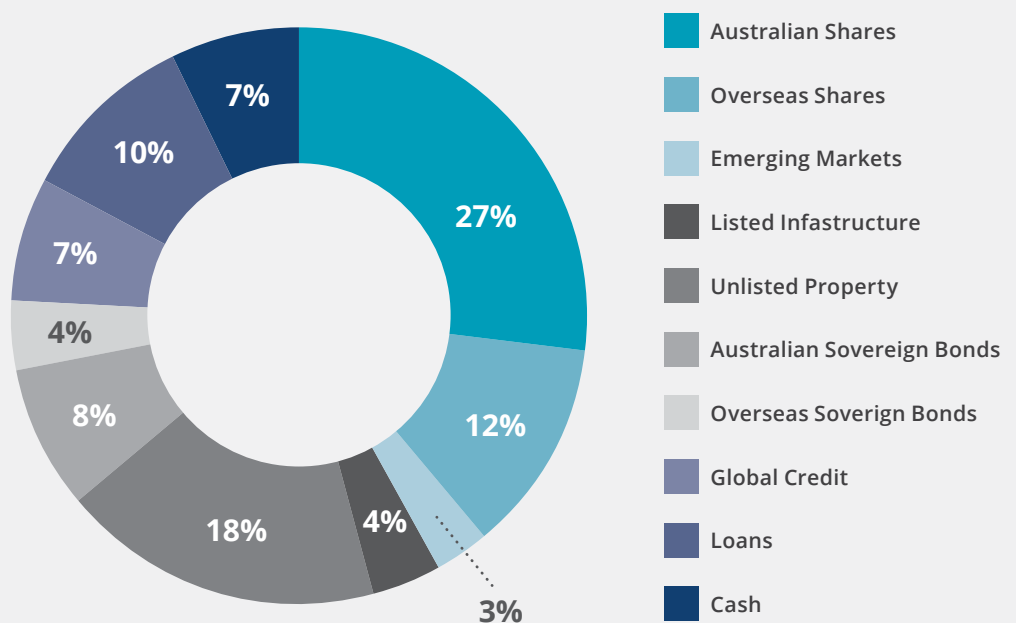
The investments in the Australian Shares, Emerging Markets, Australian Sovereign Bonds, Overseas Sovereign Bonds, Listed Infrastructure, Unlisted Property and Global Credit asset classes are made through funds managed by Mercer and approved by GAB. Each of these funds is a multi-manager fund, meaning that we invest in a Mercer fund which, in turn, invests in underlying funds operated

by fund managers who specialise in the relevant asset class and provide further diversification. Each of these funds is actively managed.

The investments in the Overseas Shares asset class are undertaken through a passive (index based) fund rather than actively managed funds. This reduces the degree to which the performance of the Overseas Shares investment varies from the underlying index against which investment performance is measured.

The investment in loans comprises the loan book which is in wind down mode. Cash investments are made in the Diocesan Cash Investment Fund.

Figure 2: Diocesan Endowment Asset Classes at 31 Dec 2018



DIOCESAN ENDOWMENT

Investment Performance

The returns in 2018 for each of the asset classes in which investments are made, and the corresponding benchmark returns are shown in the table below.

During 2018, uncertainty, particularly around geopolitical issues had an adverse impact on investment markets. The geopolitical issues included –

- US/China trade relations
- Brexit/no Brexit
- Unwinding of monetary policy by the US Federal Reserve, and
- the US government shutdown

The December 2018 quarter was the worst investment quarter in seven

“During 2018, uncertainty, particularly around geopolitical issues had an adverse impact on investment markets.”

years with the MSCI World Index falling 13.9%. The adverse impact of investment markets on the DE was partially offset by a strong performance in unlisted property and the buffering effect of defensive assets, namely Australian fixed interest, overseas fixed interest and loans.

Asset Class	2018 Return	2018 Benchmark	Variance
Aust shares	(5.8)	(3.1)	(2.7)
Overseas shares	(3.8)	(4.1)	0.3
Emerging Markets	(6.1)	(5.1)	(1.0)
Unlisted Property	9.7	6.3	3.4
Aust Sov Bonds	4.7	5.1	(0.4)
Overseas Sov Bonds	3.4	2.4	1.0
Loans	3.7	0.0	3.7
Global Credit	(1.9)	(0.7)	(1.2)
Cash	1.8	1.6	0.2

“...the GAB has taken an innovative approach to ethical investing, resulting in a policy which strives to encourage underlying fund managers to positively tilt their portfolios to ethical companies..”

Monitoring and Reporting on the Finances and Investments of the Diocesan Endowment

GAB monitors and reports on the finances and investments of the Diocesan Endowment in a number of different ways.

Management liaises with Mercer and the investment accounting service provider several times per month about the investments of the Diocesan Endowment.

Reports about the finances of the Diocesan Endowment and the performance of its investments are provided by management to each meeting of GAB. Where necessary, reports about key issues are sent to members of GAB between meetings.

GAB meets with Mercer each quarter to review the investment performance of the relevant Mercer funds.

Each year, with the assistance of Mercer, GAB undertakes a “health check” of the portfolio to identify and review key issues. At least every 3 years, a full review of the investment objective for the Diocesan Endowment is undertaken. The results of each annual and 3 yearly review are reported to the Standing Committee in detail.

Through the CEO, GAB reports to the Standing Committee every quarter about the financial performance of the Diocesan Endowment.

GAB also provides reports from time to time to the Standing Committee about the investment performance of the Diocesan Endowment.

GAB considers that it has robust processes for the monitoring and reporting about the finances and investments of the Diocesan Endowment.

Ethical Investment Policy

With Mercer’s assistance, the GAB has taken an innovative approach to ethical investing, resulting in a policy which strives to encourage underlying fund managers to positively tilt their portfolios to ethical companies and to maintain carbon intensity exposures below that of equivalent market benchmarks within the actively managed listed asset classes. The ethical policy was initially adopted by GAB in March 2016 and endorsed by the Standing Committee in May 2016 before being implemented.

The policy includes a positive statement as to the behaviour which GAB will seek to encourage and take into account in determining whether an investment is made or retained. It also retains the “negative screens” (that is, the “disapproved businesses”) set out in the former policy – alcohol, armaments, gambling, pornography and tobacco – and includes 3 additional “negative screens” – stem cell research involving the destruction of embryos, abortifacients and elective abortions.

Mercer reports on our compliance with the negative screens in the policy each quarter. There were no breaches reported in 2018.

The carbon intensity of the Australian shares, emerging markets and listed infrastructure components of the portfolio were below benchmark. The Overseas Shares are passively managed so there is no difference from the benchmark in terms of carbon intensity. It is proposed to take a similar approach in seeking a reduction in the carbon intensity of other parts of the portfolio in due course.

A copy of the ethical investment policy can be found at www.sds.asn.au.

DIOCESAN ENDOWMENT

MAINTENANCE OF THE REAL VALUE OF THE DIOCESAN ENDOWMENT

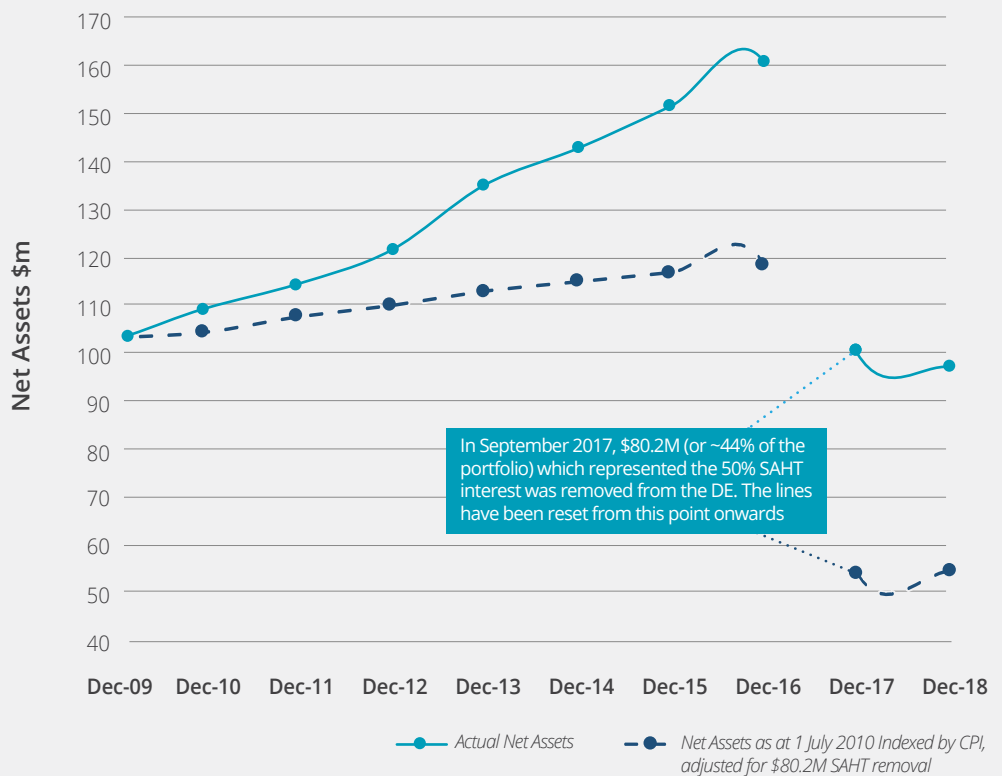
GAB measures its performance against the requirement to maintain the real value of the Diocesan Endowment from 30 June 2010, being the date from which the major restructure of the investment processes of the Diocesan Endowment was undertaken.

The movement in the net assets of the Diocesan Endowment since 30 June

2010 (after distributions for spending by the Synod and administration costs) is shown in Figure 3 below.

The graph shows that from 30 June 2010 to 31 December 2018 the real value of the net assets of the Diocesan Endowment has grown. The actual value of the net assets as at 31 December 2018 exceeded the value of the net assets as at 30 June 2010 indexed by movements in the Consumer Price Index to 31 December 2018.

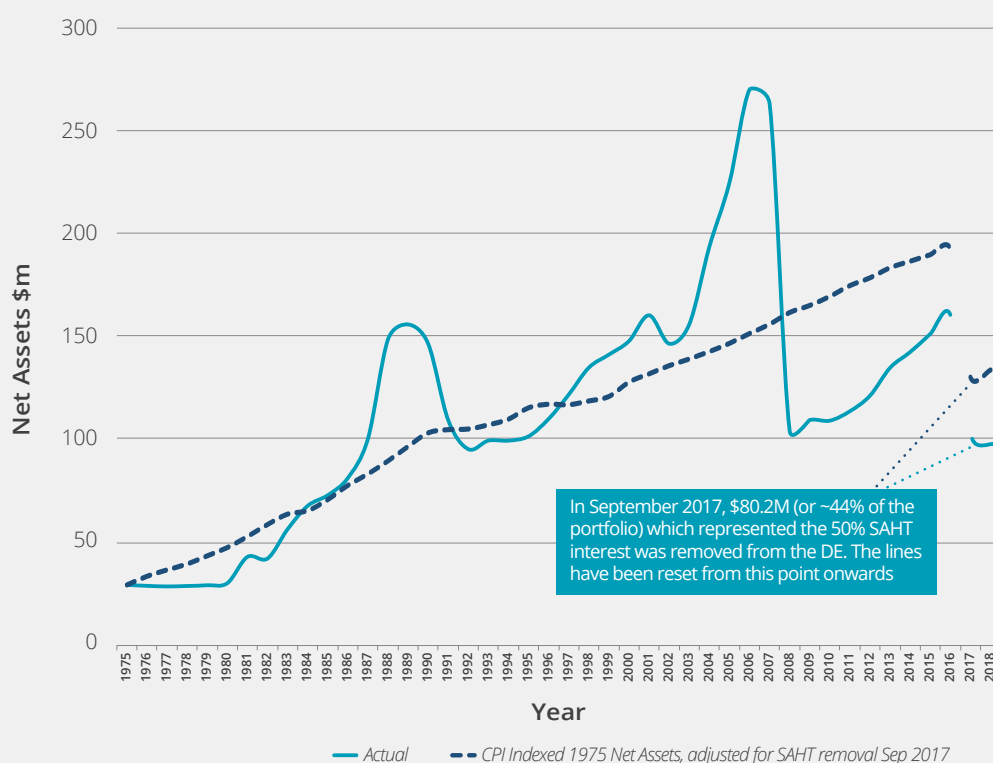
Figure 3: Net Assets of the Diocesan Endowments to December 2018



DIOCESAN ENDOWMENT

“The strong growth in the value of the Diocesan Endowment since 2010 has corresponded with favourable investment market conditions.”

The movement in the net assets of the Diocesan Endowment since 31 December 1975 is shown in the graph below.



The graph shows that notwithstanding the increase in the real value of the Diocesan Endowment since 2010 over the longer term (since 31 December 1975) the real value of the Diocesan Endowment has not been maintained. There are several reasons for this including the volatility of returns in investment markets (particularly the significant losses caused by the Global Financial Crisis of 2007-2009), and the past distribution policies of the Synod and GAB (which, in hindsight, resulted in an unsustainable level of distributions). Notwithstanding the pleasing financial results since 2010, there still remains a considerable gap between the value of the Diocesan Endowment as at 31 December 2018

and the value required if the real value had been maintained, from 31 December 1975.

The graph also shows the effect of the cyclical nature of investment markets on the value of the Diocesan Endowment and, in particular, that periods of significant growth in the value of the Endowment (generally by reason of strong market returns) are followed by periods where there is more subdued growth or even decline in the value of the Endowment (generally, because of flat or negative returns in investment markets). The strong growth in the value of the Diocesan Endowment since 2010 has corresponded with favourable investment market conditions.

DIOCESAN ENDOWMENT

“...GAB considers that a conservative spending policy (and, in particular, a conservative distribution policy) remain appropriate...”

Although capital markets have performed strongly in recent years, we have not experienced a full investment cycle since GAB started measuring the maintenance of the real value of the Diocesan Endowment in 2010. Given that the Diocesan Endowment is a perpetual endowment, GAB considers that a conservative spending policy (and, in particular, a conservative distribution policy) remain appropriate, notwithstanding the growth in the value of the Endowment in recent years.

Further comments about the spending from the Diocesan Endowment are made in the next section.

SPENDING FROM THE DIOCESAN ENDOWMENT

Spending from the Diocesan Endowment consists of the payment of the costs of administration of the Diocesan Endowment and the distributions made available for spending by the Synod.

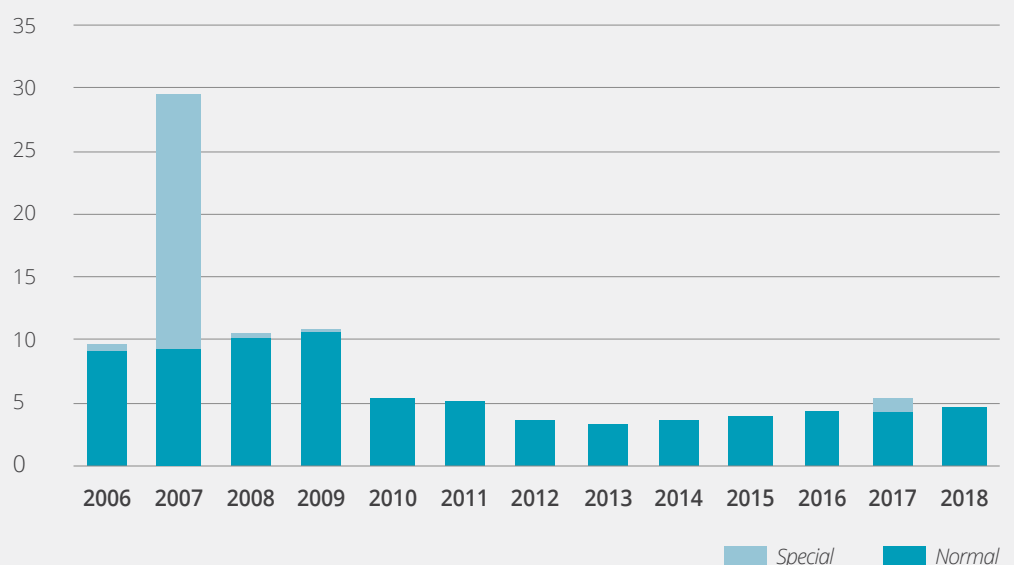
GAB aims to limit the costs of administration to an amount which is not more than 1.1% of the net assets of the Diocesan Endowment.

In 2018, the costs of administration were \$0.99 million, being 0.61% of the net assets of the Endowment as at 31 August 2018 which was the date immediately prior to the removal of the 50% St Andrew’s House Trust interest.

In recent years, the distributions paid from the Diocesan Endowment for spending by the Synod are shown in Figure 4 below.

“Special distributions” are distributions over and above the amount recommended by the GAB which are taken by the Standing Committee for specific purposes. For example, a special distribution of \$20 million in 2007 was required for the purposes of acquiring greenfield sites and funding Brownfield site redevelopments. In 2017 there was a special distribution of \$1 million to support the “No” campaign during the debate concerning same-sex marriage.

Figure 4: Distributions Paid from the Diocesan Endowment



DIOCESAN ENDOWMENT

“It is expected that when distributions from the Diocesan Endowment are added to the new source of income from the 50% interest in the St Andrew’s House Trust from 2019, the total income available to the Synod in 2019 and beyond will be at least that projected prior to the removal of the 50% interest.”

Figure 4 shows that the amount of the distributions paid from the Diocesan Endowment declined significantly from 2009 to 2013. This reflects that, until recently, the distributions paid from the Endowment were too high for the real value of the net assets of the Diocesan Endowment to be maintained.

A distribution of \$4.69 million will be paid in 2018. As a consequence of the removal from the Diocesan Endowment of its 50% interest in the St Andrew’s House Trust, we have advised that the distribution in 2019 will reduce to \$2.804 million, and have proposed distributions thereafter to increase in a steady sustainable way. It is expected that when distributions from the Diocesan Endowment are added to the new source of income from the 50% interest in the St Andrew’s House Trust from 2019, the total income available to the Synod in 2019 and beyond will be at least that projected prior to the removal of the 50% interest.

RISK MANAGEMENT

GAB has a risk register which identifies risk, current controls for managing risks, further action and the plan for taking that further action. The risk register is reviewed by senior management and the board each year.

The Chief Executive Officer, on behalf of the management, periodically certifies to the members of GAB about the adequacy of current controls.

The key risks of the business of GAB are:



Investment management risk



Insurance risk



Operational risk – systems and processes



Regulatory and contractual risk



Reputation risk



Strategic risk

Financial control risks are managed primarily by Sydney Diocesan Services, as an external service provider to GAB.

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DIOCESAN CASH INVESTMENT FUND

Purpose of the Diocesan Cash Investment Fund

GAB holds the property of the Diocesan Cash Investment Fund ("DCIF") on trust for the purposes of the Anglican Church of Australia in the Diocese of Sydney through facilitating the investment of cash held by trustees of church trust property.

“The DCIF had \$102.4 million in assets as at 31 December 2018.”

Establishment

The DCIF was established by the Standing Committee in August 2016 following the closure of the wholesale Glebe Income Accounts. The DCIF is the internal treasury structure for the management of the cash of Diocesan organisations. Unlike the Glebe Income Accounts, the DCIF does not form part of the Diocesan Endowment and is therefore a separate trust held by the GAB. The DCIF became operational in April 2017.

Assets

The DCIF has been designed as a vehicle to efficiently manage the liquidity needs of Diocesan organisations. The DCIF's return on assets since inception as at 31 December 2018 was 2.15%.

The DCIF had \$102.4 million in assets as at 31 December 2018.

The assets are invested according to the following allocation:

Strategic Asset Allocation	Policy weight %
Mercer Cash Fund – Term Deposit Units	96.0%
Cash and short term	4.0%

Cash and short term investments are in two 11am accounts with National Australia Bank and Bendigo/ Adelaide Bank.

The Mercer Cash Fund – Term Deposit Units, is a class of units in Australian bank term deposits of maturity less than 1 year. It has a target benchmark of the Bloomberg AusBond Bank Bill Index.

The Mercer fund is managed by Challenger, has funds under management of around \$1.6 billion and offers daily liquidity.

The Mercer fund has more than 90% of its assets in A1 rated Australian banks

Performance

The DCIF distributes net income quarterly to bring back its net asset value to par. This is shown in the statement of comprehensive income for 2018:

Statement of Comprehensive Income <i>for the year ended 31 December 2018</i>	2018 (\$)
Income	
Management fee rebate	190,576
Interest and distributions	2,006,459
Net realised and unrealised (losses) on financial assets held at fair value through profit or loss	(32,178)
Total Income	2,164,857
Expenses	
Professional fees	73,967
SDS Management fee	360,000
Audit fees	35,726
Insurance	38,500
Interest	1,656,664
Total expenses	2,164,857
Surplus for the year	-

“The Mercer fund has consistently outperformed its benchmark.”

The distribution details for the last two quarters in 2018 were as follows:

Quarter ending	Distribution rate	Annualised return (%)
December 2018	0.46 CPU	1.790%
September 2018	0.40 CPU	1.637%

The DCIF's return on assets since inception as at 31 December 2018 was 2.15%. The Mercer Cash Fund is the main contributor to the overall DCIF performance.

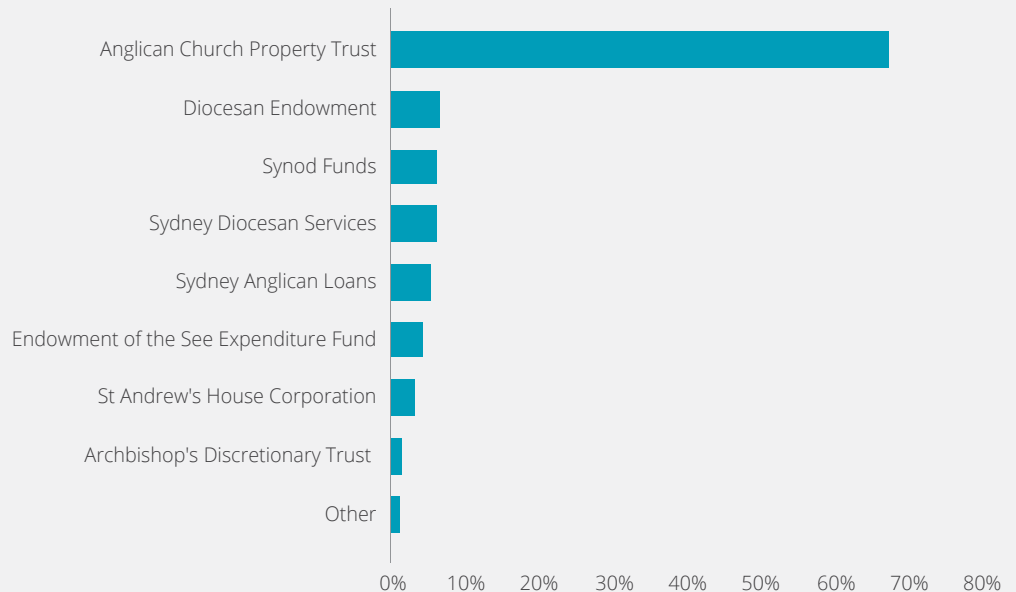
The performance of the Mercer fund as at 31 December 2018 was as follows:

Mercer Cash Fund <i>Term Deposit Units</i>	3 Months	1 Year	3 Years	5 Years
Total Returns <i>Before fees</i>	0.6	2.3	2.4	2.6
Benchmark Return	0.5	1.9	1.9	2.2
Excess Return	+0.1	+0.4	+0.5	+0.4
Total Returns (%) <i>After Fees</i>				
Mercer Cash Fund	0.6	2.2	2.3	2.5

The Mercer fund has consistently outperformed its benchmark.

Investor Profile

As at 31 December 2018 the makeup of the investors in the DCIF was as follows:



RISK MANAGEMENT

DCIF has a risk register which identifies risk, current controls for managing risks, further action and the plan taking that further action. The risk register is reviewed by senior management and the board each year. The Chief Executive Officer, on behalf of the management, periodically certifies to the members of GAB about the adequacy of current controls.

The key risks of the business of DCIF are:



Governance



Insurance



Investment Management



Operational risk - systems and processes



Regulatory and Contractual Obligations



Reputation



Strategic

Financial control risks are managed primarily by Sydney Diocesan Services, as an external service provider to DCIF.

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CONSTITUTION AND CHARTER

Glebe Administration Board

GAB is constituted by the Glebe Administration Board Ordinance 1930 and is incorporated under the Anglican Church of Australia (Bodies Corporate) Act 1938.

By clause 4 of the Ordinance, the purpose of the Board is to advance the purposes of the Anglican Church of Australia in the Diocese by managing and controlling the Property in accordance with the terms of the trusts on which that property is held, and by managing and controlling other property of which it is trustee from time to time in accordance with the terms of the relevant trusts.

Diocesan Endowment

GAB is the trustee of the Diocesan Endowment which is property held on trust for the purposes of the Diocese under the Diocesan Endowment Trust Ordinance 2016. By clause 4 of the Ordinance 2016 –

- a) the Diocesan Endowment is held on trust for the purposes of the Anglican Church of Australia in the Diocese of Sydney, and

- b) GAB, as trustee of the Diocesan Endowment, is to act in a way which preserves the real value of the Diocesan Endowment and, subject to this requirement, enables distributions to be paid to the Standing Committee each year to be applied in accordance with the determination or direction of the Synod

Diocesan Cash Investment Fund

GAB is the trustee of the Diocesan Cash Investment Fund which is property held on trust for the purposes of the Diocese under the Diocesan Cash Investment Fund Ordinance 2016.

By clause 4 of the Ordinance, the property of the Diocesan Cash Investment Fund is held on trust for the purposes of the Anglican Church of Australia in the Diocese of Sydney through facilitating the investment of cash held by trustees of church trust property.

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CHARITY STATUS

Charity Status

GAB as trustee of the Diocesan Endowment (ABN 84 797 589 118) is registered as a large charity under the Australian Charities and Not-for-Profits Commission Act 2012 (the "ACNC Act").

GAB as trustee of the Diocesan Cash Investment Fund (ABN 16 824 150 770) is registered as a large charity under the ACNC Act.

Annual information statements for 2018 which comply with the ACNC Act have been given to the ACNC. In its capacities as trustee of the Diocesan Endowment and the Diocesan Cash Investment Fund, GAB is a basic religious charity under the ACNC Act which means that it is exempted from the financial and auditing requirements under the ACNC Act.

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STRUCTURE

Structure

Information about the membership of GAB is set out later in this Annual Report.

GAB has no employees. Administration, secretarial and accounting services are provided to GAB by Sydney Diocesan Services on a fee for service basis. The executives of SDS with the greatest authority for the strategic direction and management of GAB are -

- Robert Wicks
Chief Executive Officer
- Michael Blaxland
Chief Financial Officer
- Isaac Kuruvilla
Head of Investments

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GOVERNANCE STANDARDS

“This approach includes a commitment to the highest standards of governance, which GAB sees as fundamental to its sustainability.”

Governance Standards

GAB’s approach to governance is based on a set of values and behaviours that underpin everyday activities, ensure transparency and fair dealing, and protect the interests of the Synod of the Diocese of Sydney (the “Synod”) and its Standing Committee (the “Standing Committee”).

This approach includes a commitment to the highest standards of governance, which GAB sees as fundamental to its sustainability.

In developing this statement, GAB has considered –

- the governance standards applying to charities registered with the Australian Charities and Not-for-profits Commission (“ACNC”),

- the Corporate Governance Principles and Recommendations published by the ASX Corporate Governance Council (“ASXCGC”),
- the Australian Institute of Company Directors’ (“AICD”) Not-for-profit Governance Principles,
- the Governance Policy for Diocesan Organisations adopted by the Synod in October 2014.

GAB is registered with the ACNC as a charity for the advancement of religion. GAB’s governance standards are set out in its Governance Statement which can be found at www.sds.asn.au.

GAB's governance standards are set out below:

While GAB is not a listed entity it recognises that the Corporate Governance Principles and Recommendations of the ASXCGC reflect a contemporary view of appropriate corporate governance standards which are helpful to GAB in formulating its governance rules and practices.

The Governance Policy for Diocesan Organisations articulates principles which reflect the Synod's expectation that each diocesan organisation will seek the highest standards of governance appropriate to the size and nature of that organisation. GAB has adopted those principles, where relevant and appropriate, having regard to the size of GAB and the nature of the work it undertakes.

1. Purpose and Not-for-profit character

Purpose

Under the Glebe Administration Board Ordinance 1930 ("the 1930 Ordinance"), the purpose of GAB is to advance the purposes of the Anglican Church of Australia in the Diocese of Sydney by managing and controlling the property of the Diocesan Endowment in accordance with the trusts on which it is held, and by managing and controlling other property of which it is trustee from time to time in accordance with the terms of the relevant trusts.

Under the Diocesan Endowment Ordinance 2016 ("the DE Ordinance"), the property of the Diocesan Endowment is held by GAB on trust for the purposes of the Anglican Church of Australia

in the Diocese of Sydney and, as trustee, the GAB is to act in a way which preserves the real value of the Diocesan Endowment and, subject to that requirement, enables distributions to be paid to the Synod in accordance with clause 6 of the DE Ordinance. Under clause 6, the GAB is to advise the Standing Committee each year of the amount which may prudently be distributed from the property of the Diocesan Endowment during the year which follows the year in which advice is given, having regard to the trusts set in the DE Ordinance.

GAB is to pay the Standing Committee the amount so advised during the year which follows the year in which the advice is given, at such time or times as the Standing Committee determines. GAB is to provide this advice no later than 30 April each year. Amounts so paid by GAB are applied by the Standing Committee in accordance with the determination or direction of the Synod.

Under the Diocesan Cash Investment Fund Ordinance 2016 ("the DCIF Ordinance"), GAB is also the trustee of the Diocesan Cash Investment Fund. The property of the Diocesan Cash Investment Fund is held on trust for the purposes of the Anglican Church of Australia in the Diocese of Sydney through facilitating the investment of cash held by trustees of church trust property.

Not-for-profit character

Under the 1930 Ordinance, the property of GAB is church trust property and therefore must not, as a matter of law, be distributed for the private benefit of individuals

either during the operation of GAB or on its winding up or dissolution. Further, if GAB is wound up or dissolved its remaining property after satisfaction of all its liabilities, must be applied for such purpose of the Diocese as the Synod may determine.

2. Roles and responsibilities

The members of GAB, acting collectively, are responsible for –

- providing leadership and setting the strategic objectives of GAB, and
- appointing the Chair, and
- overseeing management’s implementation of GAB’s strategic objectives and its performance generally, and
- approving operating budgets and major capital expenditure, and
- overseeing the integrity of GAB’s accounting and corporate reporting systems, including the external audit, and
- overseeing GAB’s process for making timely and balanced disclosure of information to its stakeholders, and
- ensuring that GAB has in place an appropriate risk management framework and setting the risk appetite within which the members expect GAB to operate, and
- monitoring the effectiveness of GAB’s governance practices.

GAB has an Audit Committee and a Nominations Committee to assist it in fulfilling its responsibilities.

The main role of the Audit Committee is to monitor, report, and make recommendations to GAB about the

financial reporting processes of GAB, the internal control systems and the independent audit process. The charter of the Audit Committee is reviewed periodically by GAB.

The main role of the Nominations Committee is to make recommendations to GAB, for its advice to the Standing Committee, about the preferred skills and experience of a potential candidate to fill a vacancy in the members of GAB.

GAB has delegated to the Chief Executive Officer of Sydney Diocesan Services (“SDS”), and through the CEO to the other executive staff of SDS, responsibility for the day to day management of the business of GAB. The scope of that delegated authority, and the limits on that authority, is documented and reviewed periodically by GAB.

3. Membership

Membership of GAB

Under clause 5(1) of the 1930 Ordinance, the members of GAB consist of at least eight and up to ten members elected by the Standing Committee.

The name of each member, together with information about their qualifications and experience, is set out in the annual report of GAB.

Appointment of Members

GAB is to have an adequate number of members with appropriate skills and commitment to adequately discharge their responsibilities and duties. A person must sign a prescribed statement of personal faith to be eligible for election as a member.

GAB, in making recommendations to the Standing Committee about the preferred skills and experience of candidates to fill vacancies in the office of member, has regard to the skills and experience required of a person to serve as a member of GAB.

The Standing Committee may appoint, as a member, a person other than a potential candidate recommended by GAB.

Independence of members

No member of GAB is an employee of GAB or an entity which provides services to GAB (for a fee).

Each member of GAB is to be free from any business or other relationship that could interfere with the exercise of their unfettered and independent judgment as a member.

Each member is expected to disclose any business or other relationship which they may have with GAB.

Statement of Personal Faith

A person is not eligible to be elected as a member unless the person has first given the electing body a signed copy of the Statement of Personal Faith set out in the Schedule of the 1930 Ordinance.

Term of office

A member of GAB holds office for a term determined by the Standing Committee (generally up to 3 years).

One third of members are to retire at the first session of the Standing Committee next following each ordinary session of the Synod.

Eligible members may offer themselves for re-election by

the Standing Committee. GAB also makes recommendations concerning the re-election of any members by the Standing Committee. A person is not eligible for re-election if they have served as a member of GAB for a continuous period of 14 years or more ending on the date on which their term of office ends.

Induction of members

On appointment, a member receives a letter of appointment which sets out the expectations of the member and the conditions of appointment. A member is also offered an induction program to familiarise them with matters relating to the business, strategy and any current issues before GAB.

The induction program includes meetings with the Chair, the CEO and senior executives of SDS, as appropriate.

GAB and each member enter into a Deed of Indemnity, Access and Confidentiality.

Meetings of members

The 1930 Ordinance sets no minimum number of meetings, but instead provides that the members are to meet at such times as they may determine. The general practice of GAB is for the members to meet at least quarterly during the year and at other times when required.

GAB has operating protocols for its meetings which cover matters such as the business of the meeting, attendance at a meeting, and how matters are to be discussed and determined at a meeting.

The CEO of SDS attends all meetings. The Chair, on the recommendation of the CEO,

determines which other staff members or external consultants will be present at a meeting.

At each meeting, there is the opportunity for members of GAB to discuss matters in the absence of the CEO and other staff members of SDS.

Review of performance of members

The members of GAB regularly review their performance and effectiveness.

Learning & Development

GAB endorses and supports the appropriate development of its members, and expects that they will undertake ongoing learning and development which is relevant to their role as a member. GAB has a Member Learning & Development Policy which describes how GAB will provide support to members in undertaking learning and development.

Remuneration

A member is not remunerated for their services as a member.

Chair

The members appoint one of their number as Chair for a term which ends on the date set out in the resolution making the appointment, the third anniversary of appointment or otherwise when revoked by the board.

4. Accountability and Transparency

GAB is to be accountable to the Archbishop, the Synod and the Standing Committee being the representatives of the Diocese of Sydney for whose purposes GAB is constituted.

Reporting to the Synod and Standing Committee etc.

In accordance with its obligations under the 1930 Ordinance, GAB –

- reports to the Standing Committee from time to time about its affairs, and
- provides the Standing Committee with such information regarding the affairs of GAB as the Standing Committee may require from time to time.

GAB also complies with the provisions of the Accounts, Audits & Annual Reports Ordinance 1995 which include provisions as to reporting.

GAB publishes its annual financial statements and its annual report on its website.

Archbishop

The GAB is to send a copy of the Agenda for each meeting to the Archbishop if requested by him. The Archbishop may attend meetings of GAB and put before its members any matter for their consideration and express his views on any matter being considered by the members. The Archbishop is not entitled to vote on any such matter.

Responsibilities of members to act ethically and responsibly

In undertaking their responsibilities, members of GAB are –

- to act with reasonable care and diligence in the performance of their functions,
- to act in good faith in the best interests of GAB and to further its purpose
- not to misuse their position as members

- not to misuse information they gain in their role as members
- to promptly disclose actual or perceived conflicts of interest
- not to participate in discussions, or vote on any matter regarding an actual or perceived conflict of interest without the approval of other members
- to ensure the financial affairs of GAB are managed responsibly
- not to allow GAB to operate while it is insolvent.

Conflicts of interest

GAB's conflict of interest policy provides guidelines for recognising and managing conflicts of interest of members and specifically requires that –

- all members are required to disclose any actual, potential, or perceived conflict of interest upon appointment and are required to keep those disclosures to GAB up-to-date, and
- any member with an interest in a matter may not participate in discussion or vote on that matter, unless GAB resolves otherwise.

In addition, staff of SDS are not permitted to participate in activities which involve a conflict with their duties and responsibilities or which are prejudicial to GAB.

GAB has entered into a service level agreement where, on a fee for service basis, SDS undertakes management responsibilities for GAB.

Compliance with Australian law

GAB is subject to a number of specific legal and regulatory

obligations by reason of the activities it undertakes. GAB has identified those obligations and monitors compliance with those obligations.

The members of GAB collectively, and each member individually, may seek independent professional advice, at GAB's expense, to help them carry out their responsibilities. The Chair's prior approval is required, but will not be unreasonably withheld.

Ethical Investment Policy

GAB invests the property of the Diocesan Endowment in accordance with its ethical policy set out in the Investment Policy Statement for the Diocesan Endowment.

5. Financial reporting

Core principles

GAB's approach to financial reporting reflects the following core principles –

- its financial reports present a true and fair view, and
- its financial reports fully inform the members as to financial exposures, and
- its accounting methods are comprehensive and relevant and comply with applicable accounting rules and policies, and
- appropriate internal controls are maintained, and
- its external auditor is independent.

Integrity in the financial reporting system is maintained through –

- the work of the Audit Committee, and

- the work of the External Auditor, and
- CEO and CFO assurance.

Audit Committee

The Audit Committee reviews and assesses any significant estimates and judgments in financial reports and the processes used to monitor and comply with laws, regulations and other reporting requirements.

Members of the Audit Committee are appointed on the basis of relevant skills and experience. The Audit Committee has the flexibility to augment its skills and experience by appointing persons who are not members of GAB, subject to GAB approval.

The performance of the Audit Committee is reviewed as part of the annual performance review undertaken by members.

The Audit Committee may meet with the external auditors without management being present.

Given the relatively small size of GAB an internal audit division is not warranted. GAB has instituted internal controls and appropriate division of duties. The accounting controls monitor for breaches of authority.

External Auditors

The role of the external auditor is to provide an independent opinion that the financial reports are true and fair and comply with applicable regulations.

The external auditor has access to the minutes and papers of GAB and its Audit Committee.

The external auditor submits an annual declaration of independence to GAB.

Any advisory services by the external auditor are detailed in the notes to the annual financial statements.

The external auditor attends all meetings of the Audit Committee at which a report is presented by the auditor about management, monitoring of financial risks, significant and unusual transactions, any correspondence with regulators and asset valuations.

CEO and CFO Assurance

The members of GAB receive a letter of representation, signed by both the CEO and the Chief Financial Officer of SDS, assuring GAB that in all material respects –

- the financial records have been properly maintained to correctly record and explain its transactions, and
- the financial statements and notes required comply with the accounting standards, and
- the financial statements and notes give a true and fair view of the financial position and of the performance of the organisation, and
- that appropriate internal controls and risk management systems are sound, and continue to run in an efficient manner, and
- that proper retention processes are in place to ensure these records are recoverable and usable for a period of seven years.

6. Risk management

Risk Management

GAB regards managing the risk that affects its business as a

fundamental activity, as it influences its performance, reputation and future success.

Effective risk management involves achieving an integrated and balanced approach to risk and reward, and assists us in achieving our objectives of optimizing financial growth and mitigating potential loss or damage.

Risk Management Roles and Responsibilities

GAB approves the organisation's risk identification and management strategy and periodically reviews that strategy. GAB also sets its risk appetite, which is the type and total amount of risk it is willing to accept in pursuit of its objectives

The CEO and senior managers of SDS are responsible for implementing the risk management framework, systems, controls and procedures for identifying risk and management of risks adopted from time to time by GAB.

The CEO and senior managers of SDS ensure that risks are quantified, appropriate risk limits (tolerances) are maintained and that financial exposures are fully reported to GAB.

Compliance Reporting

GAB monitors its compliance with key risk matters, by requiring periodic confirmation certificates from SDS.

The compliance coverage and depth of review is reviewed in response to changing circumstances.

Compliance reporting is the responsibility of the Corporate Secretary of SDS.

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CONFORMITY WITH SYNOD'S GOVERNANCE POLICY

Provisions of the Glebe Administration Board Ordinance

The provisions of the Glebe Administration Board Ordinance 1930 and GAB's Governance Statement and other board policies generally conform to the requirements of the Synod's Governance Policy for Diocesan organisations. The main areas of non-conformity are –

- the minimum number of board members being 8 (rather than 9), and
- the absence of a provision which requires at least 2 board members to be clergy or to have formal theological education.

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MEMBERSHIP OF GLEBE ADMINISTRATION BOARD

The members of GAB comprise at least 8 and up to 10 persons elected by the Standing Committee of the Synod.

As at 31 December 2018 the members of GAB were:



Mr Mark Ballantyne

BEC, MBA, FIAA

Qualified Actuary; General Manager of Financial Wisdom with the Commonwealth Bank, having over 20 years' experience in all facets of financial services. Attends East Lindfield Anglican Church.

Board member since 2009.



The Rev Ted Brush

BTh, DipMin

NSW/ACT Regional Officer for Bush Church Aid. Previously Rector, Parish of Lower Mountains. Previously served on the board of Governors of the National Church Life Survey, Standing Committee, Mission Board of the Standing Committee, Council of St Andrew's Cathedral School, George's River Regional Council and Finance & Loans Board. Originally trained as an electrical engineer with extensive experience in supply chain management both in Australia and internationally.

Board member since 2013.



Mr Greg Hammond OAM

BA (Hons), LLB (Hons), Assoc Deg Th

Consultant in banking and finance; formerly partner of King & Wood Mallesons, chairman of Anglican Community Services (t/as Anglicare Sydney) and Olive Tree Media; director of the Australian College of Theology, G&C Mutual Bank, NCNC Funds Limited and Opportunity International Australia; Adjunct Fellow Macquarie University in the Applied Finance Centre; previous service on Diocesan and other not-for-profit boards and committees. Member of Macquarie Anglican Churches.

Board member since 2014.

MEMBERSHIP OF GLEBE ADMINISTRATION BOARD



Mr David Sietsma

BCom (Fin), Grad Dip AppFin and Investment

David has over 10 years' experience as a nonexecutive director and 30 years in banking and financial markets risk management. He was Head of Portfolio Management within Group Treasury of the Commonwealth Bank of Australia and previously worked at Macquarie Bank, Deutsche Bank and BNP Paribas. He is a nonexecutive director of Tascorp and is the Chair of the Arden Anglican School Council. He attends All Saints North Epping.

Board member since 2016.



Mr Ross Smith (Chair)

MAppFin, BEc, GAICD, Chartered Accountant

CEO, Anglican Schools Corporation. Previously CFO of Anglicare, Sydney. Brings 25 years' experience in Finance, Corporate Restructuring and Acquisition Advisory; Member of The Council of St Andrew's House Corporation. Member of Caringbah Anglican Church.

Board member since 2010.



Bishop Michael Stead

BCom(Acc), BD(Hons), DipMin, PhD

Bishop of South Sydney; Member of Standing Committee Diocese of Sydney, Diocesan Representative on General Synod; Member of General Synod Standing Committee, Secretary of the General Synod Doctrine Commission. Prior to ordination, worked for PricewaterhouseCoopers from 1990-1996.

Board member since 2015.

MEMBERSHIP OF GLEBE ADMINISTRATION BOARD



Ms Kitty Pun

MBA

Ms Kitty Pun was appointed as a member of the board by the Standing Committee on 26 March 2018. Vice President and Compliance Manager for DBS Bank Limited. Over 17 years' experience in the banking, asset management and superannuation environments both in Australia and Hong Kong, including 2 years' experience in regulatory experience from APRA. Previous roles include Senior Compliance Officer of Agricultural Bank of China (Sydney Branch), Head of Compliance for China Construction Bank (Sydney Branch), Risk and Compliance Manager of BT Investment Management Limited, Risk and Compliance Manager of Schroder Investment Management Australia Limited and other roles in HSBC, APRA and ING. Attends St Augustine's, Neutral Bay.

Board member since 2018.



Ms Evelyn Horton

BEC, MSocSci (Econs), FAICD

Economist and company director; has over thirty years' experience in investment banking and government where she specialised in risk management, finance and public policy. Currently a director of Centuria Life, Tasmanian Public Finance Corporation, Motor Accidents Insurance Board and Mission Australia. She is a member of the University of Wollongong's SMART Infrastructure Advisory Council and of the Anglican Church's Diocesan Financial Advisory Task Force. Evelyn attends St Philip's Church Hill.

Board member since 2018



The principal office of GAB is
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QVB Post Office NSW 1230

Telephone (02) 9265 1555.

The hours of access are
between 8:30 am and 5:30 pm