UNIVERSITY OF AUCKLAND

TREASURY MANAGEMENT POLICY

COUNCIL APPROVED: JUNE 2017

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1. INTRODUCTION

This document contains the Treasury Policy of The University of Auckland ("the University") and sets out the approved objectives and procedures in respect of all treasury activity to be undertaken by the University to manage its risk to financial market variables. The University incurs risks arising from foreign exchange, debt raising, investment of surplus funds and associated interest rate management activity.

The safeguarding of the University's financial resources must be achieved with respect to the principles of public accountability and compliance with relevant legislation.

The policy is to apply to all of the University's subsidiaries as per the University Organisation Structure ("UOS").
2. GENERAL POLICY PRINCIPLES

This policy document sets out the financial market risk management parameters for the University to manage its risk exposures.

- The Council is responsible for the approval of treasury policy and delegates to management the appropriate transactional and reporting responsibilities.

- Exposures are to be managed using approved hedging instruments, as set out in this policy document.

- The strategy for the management of exposures will be determined by a Treasury Management Committee ("TMC"). The TMC will meet monthly or as required to consider the University's treasury activities and related hedging strategies. The Treasurer will be responsible for the day-to-day management of the University's exposures and implementing the agreed strategy.

- The Treasurer must provide timely, consistent and accurate reporting of treasury activities and performance to the TMC monthly and to the Finance Committee and Council as required.

- Effective internal controls are combined with regular management reporting to assist in the prevention of unauthorised activities and to monitor performance in managing treasury risks.

- All hedging activities must be linked to the directly identifiable financial market exposures faced by the University. Trading or speculation is expressly prohibited.

- All breaches of this policy are to be notified immediately in writing to the Chief Financial Officer, together with the reason for the breach and the remedial action taken or recommended to be taken. A breaches register will be maintained and detail provided to Council as part of its regular reporting pack.

- This policy document is to be reviewed and, if necessary, updated on at least an annual basis by the Finance Committee on the recommendation of the Chief Financial Officer.
3. RESPONSIBILITY STRUCTURE

The responsibility for the management and control of the University's treasury risks is vested with the following:

- Council
- Finance Committee
- Vice Chancellor
- Deputy Vice-Chancellor (Operations)
- Chief Financial Officer
- Treasury Management Committee
- Treasurer
- Financial Accountant
- Group Financial Controller

This management structure is outlined below:
Following are the primary responsibilities of each in relation to the management of the University’s treasury risks.

**COUNCIL**

- Approves, upon consideration of recommendations from Finance Committee:
  - the treasury policy document, and amendments to it
  - debt strategy and borrowing limits
  - all debt facilities
- Approves appropriate delegation of authority within the University.

**FINANCE COMMITTEE**

- Reviews the finances of the University, including investment, borrowing and foreign exchange matters.
- Reviews the treasury policy annually and makes recommendations to the Council with respect to the treasury policy, including debt strategy and any proposed changes to the permitted instruments, risk control limits, procedures and delegated authorities.
- Continually keeps under review and at least annually recommends to Council a profile of proposed borrowings on a rolling 12 month basis in line with capex and cashflow plans as presented within the budget and planning processes each year.
- Ensures compliance with regulatory requirements.
- Recommends debt facility requirements to Council.

**CHIEF FINANCIAL OFFICER**

- Overall management responsibility for the treasury function.
- Responsible for the administration of the Treasury Management Policy.
- Makes recommendations to Finance Committee on review of the Treasury Management Policy
- Approves the opening of new bank accounts, or closure of existing bank accounts.
- Reports breaches of policy.
- Receives regular reports from the Treasurer.

**TREASURY MANAGEMENT COMMITTEE (TMC)**
Meets monthly to review treasury risk management strategies. The TMC consists of the Chief Financial Officer, Treasurer, Group Financial Controller, any other person nominated by the Chief Financial Officer and an independent treasury advisor. A quorum consists of two, one of whom must be the Chief Financial Officer or the Treasurer, and one of whom must be the independent treasury advisor.

Sets strategies in respect to management of foreign currency exposure and, if applicable, interest rate hedging in accordance with the parameters set out in this treasury policy document.

Identifies the profile of borrowing requirements for consideration by Finance Committee.

Develops techniques and strategies to be used in managing the University’s treasury risks.

**TREASURER**

Responsibility for day to day treasury management, including the implementation of foreign exchange and interest rate strategies.

Maintains overall liaison and relationship with the University’s banking counterparties.

Maintains a register of official financial delegations and authorised signatories for approved counterparties.

Reports monthly to the Chief Financial Officer on overall treasury management.

Reviews all daily transactions after the reconciliation of bank confirmations to internally generated records by Financial Accountant.

Ensures internal information systems provide accurate and timely data on the University’s positions.

Maintains a register of financial commitments held by the University.

Executes foreign exchange and other treasury related transactions with approved counterparties within approved limits and parameters.

Manages investment of restricted and operating funds.

Responsible for preparing and managing cashflow forecasts and historical foreign exchange databases to support foreign exchange cover decisions and investment of surplus funds or minimisation of borrowings.

Makes recommendations on policy, policy values, procedures and delegated authorities to the TMC.
FINANCIAL ACCOUNTANT, (TREASURY OPERATIONS)

- Reconciles and checks external confirmation advice on all treasury transactions against internally generated records.

GROUP FINANCIAL CONTROLLER

- Works with Treasurer to ensure relevant accounting standards and hedge accounting requirements are complied with.
4. FOREIGN EXCHANGE POLICY

4.1. Introduction

Foreign currency risk is the impact that the variability of New Zealand dollar ("NZD") currency values can have on the University's assets, liabilities and operating cashflows.

This policy defines two distinct types of foreign currency risk faced by the University in its normal course of business.

I. Confirmed or committed foreign exchange exposure: known obligations of the University, being signed contracts to pay or receive an agreed amount at an agreed rate, as well as risks arising from firm orders with unknown exchange rates.

II. Forecast exposure: expected receipts or payments in foreign currency as based on the budget, and subsequently the updated cashflow forecast.

The University's policy for management of foreign currency risk is to cover, by foreign exchange deposits, forward exchange contracts or currency options, any confirmed or committed exposures and any forecast exposures where a movement in foreign exchange rates could materially impair the actual outturn of:

a) financial performance against the budget as approved by Council;

b) capital expenditure within approved limits, as approved by the Capital Expenditure Committee, or Council.

c) specific projects or contracts against their projected profitability.

Materially impair in terms of a) above is >NZD500,000 over budget on a 12 month rolling basis for library expenses. In terms of b) and c) materially impair is >NZD100,000 over budget.

4.2. Risk Control Limits

CONFIRMED EXPOSURES

A confirmed foreign currency exposure must be covered 100% by foreign currency deposits, forward exchange contracts or currency options at the time the exposure is identified, only if a movement in foreign exchange rate could materially impair in terms of a) above is >NZD500,000 over budget on a 12 month rolling basis for library expenses. In terms of b) and c) materially impair is >NZD100,000 over budget.

FORECAST EXPOSURES

A forecast foreign currency exposure due within 18 months must be covered effectively within the following parameters, subject to the approval of the Chief Financial Officer:
Council approval is required for hedging of any forecast exposure beyond 18 months.

**GENERAL**

For the purpose of managing only material risk, risk control limits are waived for any one currency where in any calendar month a net exposure less than NZD100,000 occurs, or NZD250,000 on a cumulative basis within a 12 month period.

All foreign exchange and currency hedging transactions entered into by the University must relate to underlying physical exposures, commitments or expected exposures. Where a hedged commitment or forecast exposure is cancelled or is no longer expected to occur, the Treasurer on the approval of the Chief Financial Officer is to close-out any existing hedge in excess of policy maximums, regardless of the mark-to-market gain or loss on the instrument.

The Treasurer must ensure that the minimum and maximum hedging ratios are maintained on a rolling basis for all identified foreign exchange exposures, at all times. The position in the respective ranges is to be reviewed and approved monthly by the TMC. The Treasurer will at his/her discretion determine the foreign exchange rates to be applied to all naturally hedged foreign currency payments and receipts with due reference to market rates on the day, foreign currency hedges and cash flow offsets.

For all hedging transactions over NZD250,000 (other than market orders), a third party quote or independent pricing comparison should be gained before entering into the hedging arrangement.

Only authorised hedging instruments, as listed in Section 4.3, are to be used to manage foreign exchange exposures.

**4.3. Authorised Foreign Exchange Instruments**

The treasury function is permitted to undertake transactions with approved counterparties using only the following physical and derivative financial instruments to meet the policies set out in this document:

- Foreign exchange spot contracts.
- Forward exchange contracts.
- The purchase of currency options.
- Currency collars.
- Market and stop-loss orders.
Foreign exchange options may be sold only if part of a collar structure. Selling options in isolation, or together with a bought option with the outcome of generating net premium income, is not permitted under any circumstances because of the speculative nature of bearing unlimited risk as the writer of an option. In line with the principles and parameters of this policy, the University adopts a prudent and risk averse approach to its treasury management.

Collar option structures are limited to those where the principal of the sold option is at a ratio of one-to-one with the principal of the bought option. Bought and sold options, alone or as part of a structure, must only be ‘plain vanilla’ options. That means any derivative with ‘barrier’ or ‘knock-in/knock-out’ characteristics is not permitted.

Only those instruments approved by this Treasury Policy can be used. Recommendations to Council for the approval of new instruments are to be supported by a description of the financial instrument, the purpose of the instrument, accounting treatment and an analysis of the risks, including control implications as prepared by the independent treasury advisor.

Adequate systems and controls must be in place before hedging transactions are undertaken. An effective standard of internal control and regular management reporting must be in place to prevent unauthorised activities or the inappropriate use of authorised hedging instruments.

All efforts should be made, prior to entering any derivative instrument, to ensure it meets the requirements of hedge accounting and if not, the University is satisfied with the potential implications of having, in NZ IFRS terms, a non-effective hedge.
5. INVESTMENT POLICY

5.1. Operating Funds

The Public Finance Act 1989 (section 65I - Investment of public money) requires that the University, as a Crown Entity, invests funds in accordance with the rules applying to the Treasury’s investment of public money. This allows Crown Entities to invest in bank deposits (whether in New Zealand or elsewhere) approved by the Minister of Finance for the purpose; and in public securities that the Minister may approve for the purpose.

If the University holds surplus funds in its own right it will also be subject to the following controls.

- Not more than 50% of the Operating Funds portfolio (or $40 million, whichever is the greater) will be invested with any one counterparty. Funds held ‘on call’ are not included in this calculation.
- When the balance of operating funds is equal to or below $40m, the funds may be invested with one approved counterparty (see Section 7.2)
- When the University is operating as a net investor, the investment portfolio is to be invested so that the lesser of $10 million or the total investment portfolio matures within 30 days to ensure sufficient cash resources to meet monthly working capital requirements. Funds held ‘on call’ are included in this calculation.
- Investments beyond 12 months must not exceed 30% of the portfolio.
- If the University is operating as a net borrower, surplus funds will be permitted only to be invested on a short term basis until the next opportunity to repay debt.
- Investments are to be placed with approved counterparties only (see Section 7.2).

5.2. Restricted Funds

The University of Auckland Foundation Trustees (“the Trustees”) have been delegated authority to administer the University’s existing Trust Funds and to report separately to Finance Committee. These monies are held in restricted fund accounts and are referred to as Trust Funds and include Endowment and Scholarship funds. The Trustees have been empowered to invest these funds in such form and by what means as they may determine.

The use of futures, options and other synthetic investments (derivatives) is permitted (First Schedule of the Investment Management Agreement) wherever their use is consistent with the investment objectives and the investment constraints. In particular, derivatives will not be used in a manner which would gear the fund and at all times, all long positions are to be fully covered by cash or liquid securities and any short positions must be matched by physical securities.
The Investment Mandate of the Investment Management Agreements between the University and the Investment Managers sets out the authorised investments. The mix is determined by the Trustees.

Restricted Funds that remain with the University (for example, those that can not be transferred to the Trustees) will be placed with approved counterparties (see section 7.2) or where allowable, mirror the same mix of investments as determined by the Trustees under the Investment Management Agreements.

The immediate obligations of the Trust related activities should be met from the Operating Funds Portfolio. The policy that deals with these funds has a specified liquidity requirement.

5.3. Other Investments

Subsequent to an exemption granted by the Minister of Finance, on 2 March 2015, to the University under section 65I of the Public Finance Act 1989 and section 203(4) of the Education Act 1989, investments can be made by the University or Auckland UniServices limited in debt or equity securities in companies, in New Zealand or overseas, that are developing and commercialising intellectual property created by or on behalf of the University. The following limitations apply;

- The aggregate face value of all these investments (either in cash or cash equivalent) shall not exceed 4% of the equity of the University group, measured against the most recent audited group financial statement for the University.

- There may be no contingent liabilities associated with any investment by the University, either by way of uncalled shares, guarantees or otherwise.

Investments made by the University under this exemption must be approved by the Vice-Chancellor up to the limit of the Vice-Chancellor’s delegated financial authority for capital expenditure and by Capital Expenditure Committee and/or University Council for amounts above this.

Investments made by UniServices under this exemption must be approved as follows:

- Amounts up to and including $2.5m in value - by UniServices CEO

- Amounts above $2.5m, by the Board of UniServices
6. BORROWING POLICY

6.1. Introduction

The University’s cash flows follow a distinctive seasonal pattern throughout the year as a result of the timing of student fee receipts, which are generally received in the months of February and March each year. During the period when the University requires debt funding, borrowing requirements peak in December each year before falling to typically a net cash position from February. The average peak to trough movement during the year can exceed $200 million, resulting in limited structural debt being required.

Debt, for the purposes of this policy, is defined as interest bearing, repayable advances from a financial institution.

The University will borrow for two purposes:

I. General Purpose Debt: to enable the University to implement capital expenditure at an accelerated rate.

II. Specific Purpose Debt: to enable the University to construct, acquire or invest in an asset, the cashflows generated by which are expected to wholly or substantially service the associated debt.

In either case, the University will borrow only if the resulting capital expenditure or investment contributes materially, in the opinion of the Council, to achievement of the University’s strategic objectives.

6.2. Debt Limit Management - Risk Control Limits

The University will use the following ratios to set debt limits:

- Debt to Capital (Debt to Debt + Equity)
- Debt to EBITDA (Debt / EBITDA)
- Interest Cover (EBITDA / Interest Expense)

The Debt to Capital and Debt to EBITDA ratios will be used to limit peak debt (debt typically peaks at the end of each financial year). The Interest Cover ratio will be used to limit the average debt level throughout a financial year (measured at month ends).

The Debt Limits are:

<table>
<thead>
<tr>
<th>Ratio</th>
<th>Debt Limit</th>
</tr>
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<tbody>
<tr>
<td>Debt to Capital</td>
<td>&lt; 18%</td>
</tr>
<tr>
<td>Debt to EBITDA</td>
<td>&lt; 2.5 times</td>
</tr>
<tr>
<td>Interest Cover</td>
<td>&gt; 7 times</td>
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</tbody>
</table>
Compliance with the Debt Limit as approved by Council requires compliance with all three ratios.

No subsidiary or other related party of the University may negotiate or enter into debt facilities without the prior written approval of Council.

The Treasurer is responsible for the negotiation and extension of any funding facilities at least 3 months prior to maturity of an existing facility. A change in the size or renewal of the facility must be submitted to the Finance Committee for approval and advised to the Council at the earliest opportunity.

The University may seek alternative sources of funding to help diversify its reliance away from wholesale bank funding. The Treasurer may from time to time propose such action subject to funding requirement. Decisions to implement any funding sources must be submitted to Council for approval on the recommendations from the Finance Committee.

6.3. Interest Rate Risk Management

Interest rate risk management has the objective of controlling the University's exposure to movements in interest rates in order:

- To manage the total interest expense incurred by the University's debt.
- To manage variations in interest expense for the debt portfolio from year to year.
- To maintain sufficient flexibility in its interest rate risk management profile to enable the University to respond to exceptional circumstances.

The University's interest rate exposures will be managed in accordance with specific operating parameters as outlined below.

**Seasonal Debt**

The seasonal nature of the University's borrowing requirements means that interest rate risk is concentrated between July and January each year.

To manage the interest rate risk resulting from this seasonal debt, the University should transact fixed interest rate cover for periods when over a rolling 12 month period total borrowing levels are projected to remain above $50 million for at least a consecutive 3 month period. Fixed interest rate cover would typically be by way of Forward Rate Agreements (FRA's) or interest rate swaps and targeted to the peak borrowing months. Any fixed interest rate cover undertaken should not exceed 80% of the projected monthly borrowing.

**Structural Debt**

Where total debt (i.e. the minimum monthly debt levels expected based on the latest available forecast and other known upcoming events) is forecast to exceed $25 million throughout at
least a 24 month period beginning in the current or following financial year, the University must undertake longer-term fixed interest rate cover. The tenor of any cover should not exceed 5 years or the period of the forecast structural debt, whichever is the shorter. A minimum 50% fixed interest rate cover is required but any cover undertaken should not exceed 80% of the minimum projected monthly borrowing, unless by way of purchased options in which case up to 100% of forecast borrowings may be covered.

- Fixed rate debt is defined as any debt that has an interest rate reset beyond 3 months.
- Interest rate options are not permitted to be sold outright. However 1:1 collar options structures are allowable whereby the sold option is matched precisely by amount and maturity to the simultaneously purchased option. During the term of the option the sold option only or both sides of the collar can be simultaneously closed out.
- Options hedging of floating rate debt with an exercise rate greater than 2.00% above the equivalent period interest rate is not to be counted as part of the fixed rate cover percentage calculation. For example, a two year cap at 5% would only count as a fixed rate hedge if the underlying swap rate was greater than 3%.

6.4. Authorised Instruments

The following borrowing and interest rate risk management instruments are approved for use:

- Forward rate agreements ("FRA").
- Interest rate swaps ("IRS").
- Forward start IRS.
- Interest Rate Options and Swaptions.

Prior to entering into any derivative instrument, the requirements of hedge accounting for the University must be determined, along with the potential implications of having, in NZ IFRS terms, a non-effective hedge.

6.5. Liquidity Risk Management

Liquidity risk management has the objective of ensuring that adequate liquid assets and funding sources are available at all times to meet both the short and long term commitments of the University as they arise, in an orderly manner. Appropriate cash flow reporting mechanisms will be maintained to monitor the University’s estimated liquidity position over the next 3 years with such reports being produced annually.

The University’s short term liquidity cash management will be managed by ensuring access to funds by securing, as a minimum, sufficient cash or liquidity facilities (either committed or uncommitted) to cover at least $50m above monthly forecast working capital requirements over a rolling 12 months period.
6.6. Funding Risk Management

Funding risk management is concerned with ensuring that loan facilities and drawdowns under those facilities can be rolled over and renewed in an orderly manner and at a fair price.

The University will as far as is practical stagger the maturity dates of drawdowns and bank facilities in order to mitigate the pressure in re-funding any individual tranche of borrowing and thereby reduce exposure to adverse circumstances which might otherwise impact the availability or price of such funding.
7. OPERATIONS AND PROCEDURES

7.1. Introduction

It is necessary to manage the internal risk arising from treasury activities to prevent unauthorised activities and identify and rectify errors and prevent financial loss. Internal risk is to be contained by a system of controls designed to limit the potential impact of any risk situation. The University will utilise both organisational and procedural controls within the treasury function. Organisational controls enforce the segregation of duties and procedural controls relate to the flow of activities within the treasury function. The Treasurer is responsible for monitoring the occurrence of new risk situations and if existing controls do not provide adequate safeguards, implementing appropriate additional preventative safeguards.

The key internal control limits, which must be included within the internal control systems, are:

- Clear definition of roles, responsibilities and authorities for all staff employed in the treasury process, including adequate systems and controls and staff training.
- Adequate segregation of duties among staff to minimise the risk of error or fraud and enhance the detection thereof.
- Documented procedures.
- Documented support for transactions.
- Regular management and performance reporting.

7.2. Approved Counterparties

The University will only transact treasury activity (including investment, borrowing, and foreign exchange) with Council approved counterparties. Unless otherwise approved by the Council, counterparties will be New Zealand registered banks with a Standard & Poor’s (“S&P”) credit rating of ‘A+’ or above, a Fitch credit rating of ‘A+’ or above or a Moody’s credit rating of ‘A1’ or above where Standard & Poor’s rating is unavailable, as listed on the Reserve Bank of New Zealand Website.

7.3. Delegated Authorities

The delegation of authority from the Council allows the Chief Financial Officer to authorise other members of the finance team to deal with the University’s approved counterparties in various capacities.

The Chief Financial Officer shall prepare a list of personnel approved to execute transactions, standard settlement instructions, and details of personnel to receive confirmations. That list of personnel will include names, positions, contact details and signatures.

A copy of this document is to be submitted to the University’s approved counterparties.
7.4. Transaction Origination

The Treasurer, and back-up’s (senior financial accountant and Group Financial Controller), have the authority to execute transactions with bank dealers on behalf of the University and therefore can commit to all the related contractual obligations under these transactions. All such transactions are generally originated and agreed orally, on the telephone; therefore it is important that procedures are in place to control and monitor this activity.

- Authorised personnel are the only employees authorised to arrange treasury transactions on behalf of the University.
- These deals must be dealt with the approved counterparties.
- Deals may entail the Treasurer to orally agree with the bank dealer the amount, product, term selection, and rate accepted, or commit to transactions on line.
- Once a deal is transacted it must be entered onto the deal ticket. Deal tickets should be sequentially numbered.
- The details on the deal ticket must be checked by the Financial Accountant to ensure that all details agree with the external confirmation from the bank, and once agreed this is then filed in settlement date order. This file is checked daily to ensure any maturing transactions are dealt with as appropriate.
- All work papers, including competitive quotes and market support are to be kept for inspection and review.

As far as is practical, a key control is the segregation of execution, settlement and accounting functions such that no one individual is able to make, confirm, process and report on a transaction taken with an external party. To effect this control, the person responsible for deal origination with counterparties may not undertake the settlements procedure detailed in section 7.5 below.

7.5. Settlements Procedure

- All transactions are to be confirmed and reconciled to external confirmation before settlements by the Financial Accountant.
- External counterparty confirmations are to be addressed to the Financial Accountant by fax, letter or email, and not the Treasurer.
- The University is to provide its counterparties with a standard set of settlement instructions containing the following:
  - Contact and correspondence details (email, phone, fax) for both dealing and settlement.
  - Details of the University’s settlement bank accounts.
List of authorised personnel and transactional limits if appropriate.
- Specimen signatures of appropriate authorised personnel.

- The Financial Accountant is to obtain the approval of the Chief Financial Officer for any discrepancies arising during deal confirmation checks which require amendment to the University’s records. Any such requests for approval are to be recorded in the Breach Register.

- Once deal tickets are reconciled to bank confirmations, the Financial Accountant is to maintain a file of that transaction record, such that the Chief Financial Officer is able to reconcile reporting to individual deal tickets.

- All receipts due to the University must be received into authorised bank accounts.

- The Financial Accountant must be made aware, by the Chief Financial Officer, of its responsibility for independent checking of deal execution as detailed in this policy.
8. MEASUREMENT AND REPORTING

8.1. Introduction

Treasury reporting is an integral part of the treasury function. To complete this area effectively, the Treasurer will require information in the form of reports both from outside the treasury function and from within the treasury function itself.

The Treasurer is required to provide timely, high quality information on all key activities of the treasury function to appropriate parties.

In order to make reporting systems effective certain reporting principles should be applied. These principles are:

- Conformity to the required objectives of management in terms of data to be reported, format, frequency and destination.
- Pyramid reporting. The reports should form a pyramid or hierarchy of different levels of detail. The more detailed reporting levels providing input data into less detailed levels.
- Exception reporting. To avoid excess data, reporting by exception is to be followed wherever possible. A set of key exception criteria is to be established and detailed reports produced only when these are breached.

The above mentioned principles are then applied to develop a set of reports which provide senior management with key data, on minimum volume, whilst at the same time providing to operational personnel sufficient detail to enable all functions related to a transaction to be carried out effectively.

8.2. The Reporting Structure

The structure of the treasury reporting system may be classified into two main groupings that are:

- Cashflow reporting.
- Monthly debt profile report/Treasury Management Committee report.

Exception reports are generated as a method of highlighting, in a timely manner, issues outside normal generally accepted operating procedures or breaches of defined policy. Exception reports are prepared on a timely basis and in any case should be presented to the relevant management level within 24 hours of a breach being identified.

REPORTS FOR CIRCULATION TO THE FINANCE COMMITTEE

- Net foreign exchange and interest rate exposures and related hedging.
- 12 month cashflow forecast and borrowing plan.
• Comparison of actual position to covenants.

Reporting will apply to foreign exchange, investment and borrowing activity.

**MONTHLY CASHFLOW REPORTING**

These reports form the basis of monthly treasury activity and also give a high level view of the University's current cash flow and liquidity position, including any exceptions that need to be reported. They include.

• Cash flow/funding summary.
• Exception reporting as required.
• Rolling annual cash flow forecast (on an as required basis).

**MONTHLY DEBT PROFILE REPORT**

These reports form the basis of reporting of treasury activity and also provide senior management with further details about the activities and performance of the treasury function. They would include the following.

• Total debt facility utilisation.
• Interest rate maturity profile against percentage hedging limits.
• New hedging transactions completed - interest rate risk management.
• Weighted average cost of funds.
• Liquidity profile against limits including rolling annual cash flow forecast.
• Exception reporting as required.
• Summary of any unresolved exception reports.
• Unconfirmed deals report.
• Performance measurement.

**8.3. Benchmarking**

As the University actively manages its treasury risks and management has discretionary limits within which to make decisions, it is important that mechanisms are in place to adequately appraise and measure management's performance within the constraints of policy limits.

A benchmark ‘standard’ rate for investment interest rate risk management has been developed after finalisation of the Treasury Policy, and this rate independently calculated and reported in the regular Treasury Reports.
8.4. UniServices

UniServices is to include in its monthly Board report a statement to the effect that it complies in all respects with the requirements of this policy. Any breach must be noted for Board consideration/action, and continue to be noted on subsequent reports (even if accepted/ratified by the Board) until the breach is resolved.
APPENDIX I – DEFINITIONS

DEBT
For the purposes of this policy, debt constitutes interest-bearing, repayable advances from a financial institution.

FORWARD RATE AGREEMENT “FRA”
An interest rate risk management tool that enables both investors and borrowers to hedge interest rates over the short term, protecting the University against future adverse interest rate movements. The University agrees with the counterparty (a bank) to borrow or invest a specified amount at a future date for a fixed period, at a predetermined interest rate. A FRA typically applies to a 3 month period, starting at some point within the next year.

FORWARD EXCHANGE CONTRACTS (FECs)
An agreement with a bank to buy or sell a stated amount of one currency against an amount of another currency, at a fixed exchange rate on a future date. It effectively locks in an exchange rate for a transaction to be settled at a future date.

INTEREST RATE COLLAR
A derivative used to hedge exposure to interest rate fluctuations. It is the combination of an interest rate cap with an interest rate floor. In the case of a borrower the purchase of an interest rate cap for a premium is offset by selling an interest rate floor. This strategy protects the borrower by capping the maximum interest rate paid at the collar’s ceiling, but sacrifices the profitability of the interest rate dropping below the floor.

INTEREST RATE SWAP
An interest rate swap is an agreement between the University and a counterparty (a bank) protecting the University against a future adverse interest rate movement. The University pays (or receives) a fixed interest rate and receives (or pays) a floating interest rate. When swapping a floating rate for a fixed it provides certainty as to the interest rate cost on an agreed amount over an agreed period. The objective is to provide certainty as to the University’s interest cost and are usually used to hedge longer term interest rate exposure, usually beyond one year.

OPTIONS
Options are a financial management tool, which provide a form of insurance against unfavourable movements in interest rates and exchange rates. In its basic form it gives the University the option but not the obligation to buy or sell an asset at an agreed rate. In some instances a premium may be payable

STRUCTURAL DEBT
Structural debt is defined as the minimum projected borrowings as outlined in the Capital Plan, or any other relevant approved long term plans, measured over a 24 month period.

OPERATING FUNDS
In terms of this policy, “Operating Funds” refers to the general funds managed by the University.