Treasury Statute

1. Purpose

a) The purpose of this Treasury Statute (the 'Statute') is to outline approved policies in respect of all treasury activity to be undertaken by the Victoria University of Wellington (the 'University'). The formalisation of such policies will enable treasury risks within the University to be prudently managed.

b) The University seeks to minimise risk arising from its treasury activities. The University's finance function in relation to its treasury activity is a risk management function focussed on realising its long-term plans, financial budgets and stabilising its income and expense lines. Accordingly, all treasury activity manages and protects legitimate underlying exposures, and activity that may be construed as speculative in nature is expressly forbidden.

c) The policy will be reviewed as appropriate to ensure that treasury risks within the University continue to be well managed.

d) The statute applies to all University staff and to the University's subsidiaries and controlled trusts except where treasury activity is already provided for in any Trust Deed, Memorandum of Understanding or Consortium Agreement.

2. Management Responsibilities

2.1 Overview of management structure

a) The Treasury Function is managed within the Chief Financial Officer's team.

b) Treasury duties and responsibilities are outlined in **Appendix A**.

c) Detailed tasks and responsibilities of the University's Finance Team are captured within a separate supporting Treasury Procedures Manual.

2.2 Delegation of authority and authority limits

a) Overarching delegated authority and authority limits are set out in the Delegations Statute. Treasury transactions entered into without the proper authority are difficult to cancel given the legal doctrine of "apparent authority". Also, insufficient authorities for a given bank account or facility may prevent the execution of certain transactions (or at least cause unnecessary delays). To prevent these types of situations, the following must be complied with:

   i. All delegated authorities and signatories must be reviewed at least annually to ensure that they are still appropriate and current.

   ii. A letter must be sent to all bank counterparties at least annually to confirm details of all relevant current delegated authorities empowered to bind the University.

   iii. Whenever a person with delegated authority on any account or facility leaves the University, all relevant banks and other counterparties must be advised in writing in a timely manner to ensure that no unauthorised instructions are to be accepted from such persons.

2.3 Debt Management

The University's borrowing objectives are to provide on-going liquidity and funding support to enable the University to achieve its strategy. In the management of its borrowing the University is required to minimise costs and risks and to comply with financial ratios and limits (as set out in **Appendix C**) on a current and prospective basis.

All borrowing and risk management activities must be in compliance with this Statute, other statutory requirements, TEC requirements (e.g. the Consent to Borrow) and any external lender requirements.

General framework

a) All borrowing requires the written approval of the Secretary to the Ministry of Education under Section 192 of the Education Act 1989. Generally long-term borrowing will be used for capital investment purposes as follows:

   i. Erecting, constructing or making additions or alterations to buildings; or

   ii. Purchasing or developing land for University purposes; or

   iii. Purchasing plant and equipment; or

   iv. Repaying in full or in part any existing loan/facility; or

   v. Any other investment that has been approved by Council.

b) Within statutory, TEC, and bank lender requirements, the borrowing programme is established by resolution of the University Council and reviewed annually by Finance Committee as part of the Annual Management Plan and associated budgeting process. The objectives of a borrowing programme are to ensure that the University has sufficient funds to prudently carry out its short and long-term activities.

c) Where possible, the University will utilise its treasury investment portfolio to meet operational requirements, unless there is a compelling reason to borrow specifically. Treasury investment funds are sourced from University trust funds and operational cash surpluses.

2.4 Investment Management

In its financial investment activity, the University's primary objective is the protection of its investment capital, and to ensure that a prudent approach to risk/ return is always applied within the confines of this Statute. The intention is that the University's investment powers are conservative and expected to be risk averse. Accordingly, the University may only invest in approved creditworthy counterparties. Creditworthy counterparties and investment restrictions are covered in section 3. The University will act effectively and appropriately to ensure:

a) Treasury investments are arranged to provide sufficient liquid funds for planned expenditures and allow for the payment of obligations as they fall due.

b) The University invests in approved financial instruments as listed in **Appendix B**.

c) The University's treasury investment maturity profile will be managed within the parameters outlined in section 3.

d) Other than Trust funds, all interest income is credited and available for use as general funds which are held in a University bank account.

General framework

a) The University will utilise its treasury investment portfolio to meet operational funding requirements. Investment funds may be sourced from University trust funds and operating cash surpluses arising from normal operations.

b) Section 203(4) of the Education Act 1989 provides that the University must invest funds in accordance with s65I (1) and (2) of the Public Finance Act 1989. The intention is that the University's investment powers are conservative and expected to be risk averse. The University recognises that all investments held should be low risk, which generally means lower returns.

c) These restrictions do not apply to University controlled Trusts (such as Victoria University of Wellington Foundation). Such entities are required to operate within the terms of their Trust Deed, with credit worthy counterparties and in accordance with strategic investment policies (SIPOs), which set out investment class limits. A Trust SIPO for a controlled Trust must be consistent with the terms of that trust's Trust Deed and the legal duties and obligations placed on its trustees. The Trustee Act 1956 sets out duties of care in relation to investment.

Investment Philosophy and Strategy

Victoria University of Wellington has formally adopted a commitment to sustainability as part of the agreed values and strategies in its strategic plan. To support the achievement of its strategic goals, in all activities governed by the Treasury Statute, the University must adopt the United Nations Principles for Responsible Investment (PRI) Initiative. The University will seek to put the Six Principles for Responsible Investment into practice.

The Six Principles for Responsible Investment are:
(i) We will incorporate Environmental, Social and Governance (ESG) issues into investment analysis and decision-making processes.
(ii) We will be active owners and incorporate ESG issues into our ownership policies and practices.
(iii) We will seek appropriate disclosure on ESG issues by the entities in which we invest.
(iv) We will promote acceptance and implementation of the Principles within the investment industry.
(v) We will work together to enhance our effectiveness in implementing the Principles.
(vi) We will each report on our activities and progress towards implementing the Principles.

Practical Application of the Principles

(i) The University, on behalf of its subsidiaries and controlled entities, require investment activities to be managed in compliance with the Six PRI Principles. For associated and related entities, where full control is not exercised, the University will advocate and encourage investment decision making to take account of the PRI principles.

(ii) The University recognises that it is not practical to purchase diversified securities and bonds across global markets on its own behalf and that the University will likely utilise investment managers who operate with pooled funds. The size of any University controlled mandate is unlikely to be significant enough to enable the University to have full control over the portfolio of securities purchased on its behalf by investment managers.

(iii) The University will make its ESG preferences known to all of its investments managers and will actively seek out managers who have adopted the PRI principles.

2.5 Related Parties – lending and funds held in trust

Under the Public Finance Act, s65I (1), the University is permitted to provide funding to related entities and subsidiaries for purposes that are not for monetary gain, i.e. educational. If the purpose is for monetary gain, Ministerial approval is required.

Where the University holds funds as a trustee or manages funds for a Trust then such funds must be invested on the terms provided within the Trust Deed and in accordance with its SIPO. If the Trust's investment framework is not specified, then this Statute should apply.

Treasury exposures and risk must be recorded and reported on a consolidated Group basis and in accordance with this Statute.

3. Risk Recognition and Mitigation

The Group's activities are exposed to a variety of financial risks:

- Interest rate
- Liquidity/funding
- Foreign Exchange
- Credit
- Operational

3.1 Interest rate risk

The primary objective of interest rate risk management is to reduce uncertainty relating to interest rate movements through fixing of borrowing costs. Certainty around borrowing costs is achieved through the active management of underlying interest rate exposures.

"Fixed Rate" is where the interest rate re-pricing date is more than 12 months forward on a continuous rolling basis.

"Floating Rate" is where the interest rate re-pricing falls within the ensuing 12 months.

"Core debt" is debt that is not expected to be repaid within the ensuing 12 months.

"Seasonal debt" is debt that occurs as a result of cash outflows ahead of large seasonal cash inflows, which is typically the period June to December.

Borrowing interest rate limits for core debt should be observed:

a) The fixed rate amount at any point in time for the core debt should be within the following maturity bands:

Core Debt Fixed Rate Limits		
Period	**Minimum**	**Maximum**
0 to 1 year	*50%*	*100%*
1 to 3 years	*35%*	*80%*
3 to 5 years	*15%*	*70%*
5 to 10 years	*0%*	*50%*

b) The above risk control limits will only apply where forecast Core Debt over the ensuing 12 month exceeds $10 million.

c) In managing its Core Debt Fixed Rate within the above limits, the University may change the level of fixed rate debt from time to time through cancellation of existing fixed rate hedges or transacting a fixed to floating rate hedge or transacting a floating to fixed rate hedge, where appropriate.

d) The level of interest rate hedging at any point in time for seasonal debt can be up to 100%.

Approved financial instruments are listed in **Appendix B.**

3.2 Liquidity / Funding risk

The primary objective of liquidity risk management is to ensure there is access to cash, treasury investments, and committed bank funding at a future time when funds are required.

The University's liquidity and funding risk control limits are as follows:

a) Sufficient liquid funds and/or committed bank facilities are available for at least $10 million above the 12 month peak net funding requirement. Approved cash/treasury investments are set out in **Appendix B.**

b) Cash commitments from related parties (e.g. trust funds) should not be included within the liquidity measure unless formal documentation of a committed debt facility/loan is executed between the parties.

c) The Chief Financial Officer ('CFO') has the discretionary authority to re-finance existing debt on more favourable terms. Committed credit approved bank facilities must be confirmed at least 60 days prior to the expiry date of an existing facility. Such action is to be reported and ratified by the Finance Committee at the earliest opportunity.

d) The maturity profile of the total committed funding in respect to all external debt should be spread where practicable to reduce the concentration risk of having all or most of the University's committed funding maturing at the same time. For periods when drawn core debt exceeds, or is forecast to exceed, $10 million at least 50% of committed funding facilities or drawn funding (e.g. bond or Medium Term Note issued or drawn term loan) must expire more than 2 years beyond the reporting date and any committed funding facilities or drawn funding expiring beyond 5 years from the reporting date must have pre-approval from University Council.

e) The amount and expiry date of all bank loans, committed bank facilities, and term debt will not exceed the maximum amount and term of the Ministerial Consent to Borrow.

f) Approved borrowing instruments are set out in **Appendix B**.

3.3 Foreign exchange risk

Foreign exchange exposure based on continually updated forecast payments is recognised on the basis of:

a) Forecast payments, based on 12-month rolling payment forecasts for each currency, reviewed and updated on a monthly basis. Any foreign exchange receipts are netted against same currency payments.

b) Value in currency of payment.

c) Month or date of purchase.

d) Value expressed in NZD calculated at market exchange rates prevailing on the day of recognition.

Foreign exchange exposures are recognised and managed when total monthly net payments or individual currency amount exceeds NZD 100,000.

The CFO is responsible for operationalising hedging strategies/decisions within control limits.

Total net monthly foreign exchange exposures of NZD 100,000 or greater, are to be hedged within the following risk control limits:

Forecast period	Minimum	Maximum
Confirmed / Contracted	80%	100%
Unconfirmed 0-3 months	50%	95%
Unconfirmed 3-6 months	25%	75%
Unconfirmed 6-18 months	0%	60%

a) Confirmed/contracted exposures are fully protected upon an approved purchase order being raised, the exposure is legally committed and the currency type, amount and timing are known.

b) The University will not borrow in a currency other than the NZD currency unless prior approval is granted by Council and the Ministers of Education and Finance.

Approved instruments are listed in **Appendix B**.

3.4 Counterparty credit risk

Credit risk to the University in a default event will be weighted differently depending on the type of instrument entered into. Different exposures types have different risk profiles that are recognised by the different means of calculating the credit exposures for each.

Treasury related transactions are only entered into with organisations specifically approved by the University Council. Counterparties and limits can only be approved on the basis of two of three long-term/equivalent credit ratings (Standard & Poor's, Fitch or Moody's) being A+ or above, or a short-term rating of A-1 or above. Credit ratings must be monitored and reported to the Finance Committee.

The University's financial exposure to any one counterparty may not exceed the greater of 40% of the total weighted exposure or $40 million. The total weighted exposure is measured at month end reporting and, includes the total weighted exposure of investments and current credit exposure amount for interest rate and foreign exchange derivatives for all bank counterparties.

Counterparty exposure must be calculated and reported on a consolidated Group basis to correctly reflect the Group's exposure to anyone counterparty. Certain funds held by the University as part of a consortium agreement or memorandum of understanding between other parties are funds held on behalf of those parties, these are to be excluded from the calculation of counterparty exposure. Part of the consolidated Group's investments are managed by University controlled Trusts (and under the terms of their own SIPOs) this policy allows for a rebalancing of the Group portfolio where appropriate.

Counterparty credit limits have been determined by the following instrument weightings:

a) **Investments** (eg Bank Deposits) – Transaction Notional x Weighting 100%.

b) **Interest Rate Risk Management** (eg swaps, FRAs) – the credit exposure on each interest rate risk management instrument is the sum of 3% of the notional 'face' value of the contract and its mark-to-market valuation. If this sum is negative (i.e. the instrument is 'out of the money' by more than 3% of the notional face value), there is no credit exposure on the instrument.

c) **Foreign Exchange** – 10% of the face value amount.

Credit ratings should be reviewed on an on-going basis and in the event of a credit rating downgrade should be immediately assessed against policy limits. Counterparties exceeding limits should be reported to the Council.

To avoid undue concentration of exposures, financial instruments should be transacted with a range of counterparties to avoid undue exposure to any one counterparty.

3.5 Operational risk

Contributing factors may be lack of both individual and shared understanding, breakdown in communication or a reliance on the specialised skills of one or two people.

Operational risk is minimised through the adoption of various internal controls:

a) Dealing authorities and limits – transactions will only be executed by those persons and within limits approved by the University Council

b) Segregation of duties - no single person is to deal/make/transact, authorise and confirm a treasury transaction

c) Procedural controls such as,

   i. Regular management reporting.

   ii. Regular risk assessment, including review of procedures and controls as directed by the University Council or Finance Committee.

   iii. Organisational, systems, procedural and reconciliation controls to ensure:

   - All cash management, borrowing, treasury investment and risk management activity is bona fide and properly authorised.
   - Checks are in place to ensure accounts and records are updated promptly, accurately and completely.
   - Risk positions are updated, reviewed and reported on a regular basis.
   - All outstanding transactions are re-valued regularly and independently of the execution function to ensure accurate reporting and accounting of outstanding exposures and hedging activity.
   - The use of standing dealing and settlement instructions (including bank accounts, authorised persons, standard deal confirmations, contacts for disputed transactions) to be sent to counterparties.
   - The matching of third party confirmations and the immediate follow-up of anomalies.

   iv. Any unresolved discrepancies are to be immediately advised to the CFO

Detailed treasury procedures and organisational controls are captured within a separate Treasury Procedures Manual.

4 Treasury Performance and Reporting

4.1 Measuring Treasury Performance

In order to determine the effectiveness and success of the University's treasury management function, the following benchmarks and performance measures have been prescribed, and are to be reported on a regular basis.

Management	Performance
Operational performance	• All policy limits must be complied with, including (but not limited to) counterparty credit limits, control limits and exposure limits. • All treasury deadlines are to be met, including reporting deadlines.
Borrowing costs	• Actual wholesale interest costs must be benchmarked to a market interest rate. The market interest rate is derived from the policy mid-point rates.
Foreign exchange rates	• Achieved foreign exchange rates must be benchmarked to a market foreign exchange rate that is derived from the policy mid-point rates.

4.2 Treasury Reporting

Treasury reporting must achieve coverage of the following major information/reporting objectives:

a) **Risk exposure position:** the University's current risk position and profile for all the financial market variables it is exposed to. The positions include underlying exposures, hedges in place and the actual net risk position against approved policy control limits.

b) **Risk management performance:** Actual performance of interest rates and exchange rates achieved against agreed benchmark rates.

c) **Statute compliance:** Reports that confirm conformity to Statute risk control limits and report non-compliance of Statute by exception.

d) **Commentary** on financial market and treasury strategy updates.

Appendix D lists type of report, prepared by, and recipient list. Examples of reporting are presented in a separate Treasury Procedures Manual.

5 Statute Review

The Statute is to be formally reviewed at least every 2 years.

The CFO has the responsibility to present a review report to the Finance Committee. The report will include:

a) Recommendation as to changes, deletions and additions to the Statute.

b) Overview of the treasury management function in achieving the stated objectives; summary of breaches and one-off approvals to highlight areas of tension.

c) Analysis of bank and lender service provision, share of financial instrument transactions etc.

d) Comments and recommendations from the internal/external auditors on the treasury function, particularly internal controls, accounting treatment and reporting.

e) An annual review of the treasury spreadsheets/monitoring tools and procedures should be undertaken.

f) An assessment on the performance of any specialist external support.

The Finance Committee receives the report and makes recommendations to the University Council regarding changes/amendments to the Statute.

6 Appendices

Appendix A: Treasury Management Responsibilities

Appendix B: Approved Financial Instruments

Appendix C: Bank and TEC financial ratios and limits

Appendix D: Treasury Management Reports

7 Definitions

In this Treasury Statute, unless the context otherwise requires:

Borrowing:	Any financing outside of routine arrangements with vendors, and credit card facilities. Includes draw-down facilities, and credit facilities with a maturity of greater than 30 days.
Controlled Trust:	Any Trust that meets the definition of a controlled entity under New Zealand Generally Accepted Accounting Principles (“NZ GAAP”), and which is therefore included as part of the University’s audited consolidated financial statements.
Core Debt:	The amount of drawn debt not expected to be repaid within the next 12 months. Does not include day-to-day debt the University incurs in the normal course of business, particularly credit-lines from suppliers.
Counterparty Credit Risk:	The risk of losses (realised or unrealised) arising from a counterparty defaulting on a financial instrument where the University is a party.
Derivative Instrument:	A financial instrument whose value can be derived from an independent market. Includes Forward Rate Agreements, Interest Rate Swaps, Cross Currency Interest Rate Swaps, Interest Rate Options, Currency Options, and Futures.
Financial Instrument:	Any contract that both creates a financial asset in one entity and a financial liability or equity instrument in another. Includes cash deposits, lease arrangements, and derivative instruments.
Fixed Rate Interest:	An interest rate re-pricing date beyond 12 months forward on a continuous rolling basis.
Floating Rate:	An interest rate re-pricing within 12 months.
Foreign Exchange Risk:	The adverse impact on the NZD expenses and asset purchases (e.g. purchases of library supplies, scientific equipment) from foreign exchange rate movements.
Interest Rate Risk:	The risk that borrowing costs (due to adverse movements in market interest rates) will materially exceed planned/budgeted projections, adversely impacting cost control and capital investment decisions and feasibilities.
ISDAs Master Agreement:	An ISDA master agreement is a document agreed between two parties that sets out standard terms that apply to all the transactions entered into between those parties. The master agreement is the most commonly used master service agreement for OTC derivative transactions internationally. It is part of a framework of documents, designed to enable OTC derivatives to be documented fully and flexibly.
Legal & Regulatory Risk:	Relate to the unenforceability of a transaction due to an organisation not having the legal capacity or power to enter into the transaction, usually because of prohibitions contained in legislation.
Liquidity Risk:	The risk that an entity will encounter difficulty in raising funds at short notice to meet commitments, particularly when debt matures. Also encompasses the risk that an entity will have to sell a financial asset at less than fair value to meet those commitments.

Operational Risk:	The risk of loss as a result of human error (or fraud), system failures and inadequate procedures and controls.
Staff:	Any person with an employment agreement with the University, including an independent contractor (being a person with a contract for services with the University); or an employee of a separate organisation that is contracted to perform work on University premises.
Subsidiary:	Any company that meets the definition of a controlled entity under New Zealand Generally Accepted Accounting Principles ("NZ GAAP"), and which is therefore included as part of the University's audited consolidated financial statements.

Related Documents and Information

1. Related Documents

Education and Training Act 2020
Crown Entities Act 2004
Public Finance Act 1989
Victoria University of Wellington Act 1961

2. Document Management and Control

Approver	Council
Approval Date	June 2019
Effective Date	July 2019
Last Modified	May 2015
Review Date	June 2021
Sponsor	Chief Financial Officer
Contact Person	Chief Financial Officer

Appendix A: Treasury Management Responsibilities

Treasury management duties and responsibilities are outlined below. These are reinforced through the delegated authorities outlined in the Delegations Statute.

University Council ("Council")
The Council has ultimate responsibility for ensuring that there is an effective framework for the management of treasury risks. In this respect the Council decides the level and nature of risks that are acceptable, given the underlying objectives of VUW.

The Council is responsible for approving the Statute. While the Statute can be reviewed and changes recommended by the Finance Committee, the authority to make or change the Statute can only be made by the Council.

Finance Committee ("FC")
The FC's terms of reference are to review and monitor the Statute and treasury activities, and report to the University Council. The FC's responsibilities include:

- Receives and reviews internal reports on treasury matters, risk exposures and financial instrument usage that enable oversight of compliance to the Statute.
- Notification of Statute breaches and submission requests to Council for approval on one-off transactions falling outside guidelines.
- Receive an annual review report on the Statute.
- Evaluate, review and recommend changes to the Statute to Council.

Vice Chancellor ("VC")
While the Council has final responsibility for the Statute and governing the management of VUW's treasury risks, it delegates overall responsibility for treasury management to the VC. The VC delegates day-to-day management responsibility to the CFO.

Chief Financial Officer ("CFO")
The CFO is responsible for the management of treasury activities. The CFO reports to the Vice Chancellor (via Chief Operating Officer) who is a member of the Finance Committee. Responsibilities include:

- In conjunction with the VC, develop the annual financial budget and long-term financial strategy/plans.
- Ensure management procedures and policies are implemented in accordance with the Statute.
- Reporting to the FC on treasury matters. Advise the VC and FC of significant treasury events.
- Recommend to the VC authorised signatories and delegated authorities in respect of all treasury dealing and banking activities.
- Convene and chair the TMC.
- Primary responsibility for managing bank relationships.
- Negotiation of bank funding and financial market dealing facilities.
-
- Approve borrowing, treasury investment and risk management strategy.
- Recommend changes to the Statute to the FC.
- Approve new counterparties and counterparty limits.
-
- Approve treasury transactions in accordance with delegated authority.
- Monitor and review the performance of the treasury function in terms of achieving its objectives.

Treasury Management Committee ("TMC")
The TMC is a specialised management committee with a mandate to focus on the University's treasury exposures. The TMC facilitates a senior finance management focus on the day-to-day treasury function, and the monitoring, managing of treasury risks within the approved Statute. The TMC ensures efficient and effective treasury management and performance. The forum assists the CFO and

Finance Team members to manage borrowing, investment and financial market risks by discussing/testing, strategies/decisions made. Responsibilities include:

- Discuss and monitor the liquidity, treasury investment, borrowing, interest rate and foreign exchange risk position (actual and projected) against limits, and the treasury management strategies being implemented by management.
- Examine economic and financial market trends and their impact on risk positions and recommended strategies.
- Consider treasury management strategies and test to financial and treasury management objectives.
- Through the CFO, review/discuss the annual Statute review.

The TMC meets on a quarterly basis. Permanent members comprise; the Chief Financial Officer, Group Financial Controller, Associate Director Planning & Performance Management and external treasury advisor on an ex-officio basis. Other members may be invited by the CFO as necessary to provide advice or expertise to support the Committee. The meeting is chaired by the CFO.

Appendix B: Approved Financial Instruments

Approved borrowing and financial instruments are as follows:

Category	Instrument
Working capital, seasonal and core borrowing	• Bank overdraft • Committed bank cash advance/revolving facilities • Bank term loans and term loan facilities • Medium Term Notes (MTN) and Floating Rate Notes (FRN) (up to 10 years) • Commercial Paper • Related party borrowings (up to 3 years)
Cash and treasury investments	• Bank bills (up to 90 days) • Bank term/call deposits • Bank Registered Certificates of Deposit (RCD) • Related party advances (up to 12 months)
Interest rate management (borrowing only)	Forward rate agreements ("FRAs") on: • Bank bills Interest rate swaps including: • Forward start swaps • Swap restructurings, extensions and shortenings Purchased interest rate options on: • Bank bills (purchased caps and 1:1 collars) • Interest rate swaptions (purchased swaptions and 1:1 colalrs only) Floating and fixed rate bank loans Fixed rate MTNs
Foreign exchange management	• Spot foreign exchange contracts • Forward exchange contracts (including par forwards) • Forward exchange swaps • Foreign currency deposit account • Purchased options and collars (1:1 collar structures)

Any other financial instrument must be specifically approved by the University Council on a case-by-case basis and only be applied to the one singular transaction being approved. Ministerial approval may also be required.

Use of approved financial instruments (subject to statutory and TEC requirements):

- Interest rate and foreign exchange options must not be sold outright.
- 1:1 collar option 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,

only the sold side of the collar can be closed out (ie repurchased) otherwise both sides must be closed simultaneously.

- Purchased borrower swaptions must expire within 18 months.
- Interest rate options with a maturity date beyond 12 months that have a strike rate higher than 2.00% above the appropriate swap rate, cannot be counted as part of the fixed rate/hedged percentage calculation.
- Forward start periods on swaps and collar strategies are to be no more than 24 months, unless start date of new forward start matches expiry date of an existing swap or a committed funding agreement.

Appendix C: Bank and TEC financial ratios and limits

Bank and TEC financial ratios and limits (per existing arrangements):

Bank lenders ratio:

Measure	Limit
Debt servicing ratio (Percentage of Borrowing / Total Assets)	Lower than 35%
Interest coverage ratio (Percentage of funding costs / EBITDA)	Minimum of 175%
Guaranteeing Group cover	Greater than 90%

Secretary of Education Borrowing Consent ratio:

Measure	Limit
Net surplus ratio (Surplus or deficit / Total Revenue)	At least 1.5%
Cash ratio (operating cash receipts / operating cash payments)	At least 113% during period of current Consent
Debt equity ratio (bank borrowing plus finance lease borrowing / bank borrowing plus finance lease borrowing plus equity)	Will not exceed 20% during period of current Consent
Interest cover ratio (EBIT to interest paid)	No less than 2.5 during period of current Consent
Debt cover ratio (bank borrowings plus finance lease borrowing / net cash flow from operations)	No more than 2.5 during period of current Consent
Liquidity ratio (Cash and cash equivalent plus any undrawn committed borrowings facilities that would not result in a breach) / Cash outflow from operations	At least 8.0% or higher each year

Appendix D: Treasury Management Reports

The following treasury management reports are produced:

Report	Frequency	Prepared by / Received by
Daily Cashflow & Forecast report Investment schedule Group Bank accounts overview report	Daily	ETOS / GFC
Treasury Exceptions report	As required	ETOS / CFO
Treasury report, includes Liquidity management: • Funds available and limits • Liquidity position • Capex (cash expend and forecast) • Short term advances and limits • Funding Facility usage • Financial ratios (Bank and TEC) • Statute compliance	Quarterly	AD PM / FC or TMC
Statute compliance: • Foreign exchange limits and compliance • Interest rate risk • Counterparty exposure	Monthly	ETOS / GFC
• New treasury transactions • Derivative valuations • Treasury performance • Market/strategy commentary/update	As required	Specialist external advisers / FC or TMC or Council