Te Pūkenga - New Zealand Institute of Skills and Technology

Group Treasury Policy

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1 Introduction

This Group Treasury Policy establishes the framework and scope within which treasury related risks are governed by Te Pūkenga ("Parent") and its wholly owned Subsidiaries ("Group").

The Parent finance function manages its own treasury activities along with the group liquidity and debt management requirements which includes the intra-group funding arrangement. The parent has responsibility for the monitoring and reporting of Group treasury activity including the coordinating of the subsidiary's treasury reporting and monitoring requirements.

The Subsidiaries are responsible for their own treasury activities including day-to day cash management, working capital, treasury investment and risk management.

Te Pūkenga is the borrowing entity of the Group with both external and intra-group borrowing and lending activity managed by the Parent. Intra-group borrowing and lending activity relates to core borrowing and investment activity between the Subsidiaries and the Parent. Refer to section 5.2.

Some Subsidiaries have ring-fenced treasury investments which are recognised within the Group Treasury Policy. Ring-fenced treasury investment policy parameters are outlined in section 7.3 and should be read in conjunction with the Cash Reserves and Ring-Fencing Policy.

The purpose of this Group Treasury Policy is to outline approved policies and procedures in respect of all treasury activity to be undertaken by the Group. The formalisation of such policies and procedures will enable treasury risks within the Group to be prudently managed.

The Group through its operations are or may be exposed to the following risks:

- Funding and Liquidity risk
- Treasury Investments risk
- Interest rate risk
- Cash management risk
- Foreign exchange risk
- Counterparty credit risk
- Operational and Legal risk.

For each of these risks, the Policy identifies the risk, the policy limits and how the risk is to be managed. By identifying these different parameters, Management is enabled to manage risk within a defined set of parameters.

The policy identifies specific reporting requirements for Group and Subsidiary management, and external requirements to the Tertiary Education Commission (TEC) and the bank(s).

In order to ensure that the Policy reflects best treasury practice and continues to provide Management with effective risk management parameters, the policy should be formally reviewed on at least a two-yearly basis. As circumstances change, the policies and procedures outlined in this Policy should be modified to ensure that treasury risks within the Group continue to be well-managed.

The Policy must be implemented within six months of the Council approval date.

2 Purpose

The purpose of the Policy is to establish a robust framework for managing the financial risks associated with liquidity and cash flow management, funding, treasury investments, interest rate, foreign exchange, counterparty credit risks, and other financial market risks of the Group.

The Policy outlines the approved policies and procedures in respect of all group treasury activity.

As circumstances change, the risk limits and operating parameters outlined in this Policy will be formally reviewed and approved to ensure that the financial risks within the Group continue to be prudently managed. In addition, regular reviews will be conducted to test the existing policy against the following criteria:

- Sector and tertiary institution, “best practices” for an education institution the size of Te Pūkenga.
- The risk bearing ability and tolerance levels of the underlying revenue and cost drivers, and statutory stakeholder requirements.
- The effectiveness and efficiency of the Policy and treasury management function to recognise, measure, control, manage and report on the Group’s financial exposure to market interest and foreign exchange rate risks, funding risk, liquidity, treasury investment risks, counterparty credit risks and other associated risks.
- The operation of a pro-active treasury function in an environment of control and compliance.
- The robustness of the Policy’s risk control limits and risk spreading mechanisms against normal and abnormal financial market movements and conditions.
- Consistency in achieving the Group’s strategic objectives and financial plans/budgets.

Amendments to the policy document can only be made in accordance with the procedures outlined in section 13.

2.1 Risk Philosophy

The Group is a risk averse organisation and therefore seeks to minimise risk arising from its treasury activities. The group treasury function in relation to its treasury activity is a risk management function focused on protecting its financial budgets and stabilising its income and expense lines. Accordingly, all treasury activity manages and protects legitimate underlying business exposures, and activity that may be construed as speculative in nature is expressly forbidden.

2.2 Objectives

The objective of this Group Treasury Policy is to effectively manage liquidity and debt funding along with the control and management of costs and treasury investments returns that can influence long-term plans, operational budgets and financial equity.

As Te Pūkenga is publicly funded and accountable, it must maintain its financial resources within a robust financial framework which ensures compliance with relevant legislation and restrictions. This is achieved through the management of group cash flows and financial resources while minimising risk in accordance with relevant legislation and restrictions.

Te Pūkenga is required to comply with the following relevant legislation:

- Crown Entities Act 2004;
- Education and Training Act 2020; and
- Public Finance Act 1989.

In addition to the above, each wholly owned Subsidiary that is incorporated as a limited liability company also needs to comply with the Companies Act 1993.

The following section identifies the specific sections within the above legislation that are materially relevant to Te Pūkenga and its group financing and treasury activities.

2.3 Investment Legislation

Te Pūkenga's authority to invest is governed by Section 305 of the Education and Training Act 2020 and Section 65I(1) and (2) of the Public Finance Act 1989, as follows:

Section 305 Education and Training Act 2020:

(1) Every institution is a Crown entity for the purposes of section 7 of the Crown Entities Act 2004.

(2) However, that Act applies to institutions and their Crown entity subsidiaries (within the meaning of that Act) only to the extent that this section provides.

(3) Part 1 of Schedule 4 of that Act applies to all institutions and their Crown entity subsidiaries (within the meaning of that Act).

(4) Section 65I(1) and (2) of the Public Finance Act 1989—

   (a) applies, with all necessary modifications, to institutions and, accordingly, every institution must invest in the same manner as the Treasury invests money under that section; but

   (b) does not apply in respect of any investment made by an institution in the financial products of a related entity.

(5) An instruction issued by the Minister of Finance under section 80A of the Public Finance Act 1989 does not apply to an institution.

(6) The financial year of an institution is an academic year.

(7) The council members of an institution are the Board for the purposes of the Crown Entities Act 2004.

Section S65I(1) and (2) Public Finance Act 1989 prescribes that:

(1) The Treasury may, without further appropriation than this section, invest any money held in a Crown Bank Account or a Departmental Bank Account—

   (a) on deposit with a bank (whether in New Zealand or elsewhere) approved by the Minister for the purpose; or

   (b) in public securities; or

   (c) in any other securities that the Minister may approve for the purpose.

(2) The Treasury may—

(a) invest the money for any period and on any terms and conditions that it thinks fit; and

(b) sell, or convert into money, any of the securities.

Public securities are defined under section 2 of the Public Finance Act as follows:

> "Public security" means any security issued under section 63 or any provision of any other Act and includes any loan or credit agreement, guarantee, indemnity, bond, note, debentures, bill of exchange, Treasury Bill, Government Stock and any other security representing part of the public debt of New Zealand.

This definition excludes investments in local government debt instruments, or any shares or other securities issued by State Owned Enterprises or private companies.

Under the Education and Training Act 2020, Te Pūkenga is also required to target and maintain a number of financial metrics / ratios subject to the Tertiary Education Commission (TEC) definitions. The TEC's reporting regime, the Tertiary Education Institution Financial Monitoring (TEIFM) return focuses on a range of financial targets, of which several are directly applicable to the management of treasury risks.

Investing in any other securities, such as term investments and investments in shares, derivatives, gold, silver or any other commodities require the advance approval of the Minister under section 65I of the Public Finance Act.

Clause 20 of Schedule 11 of the Education and Training Act provides that any real or personal property held by Te Pūkenga and its Subsidiaries (as the case requires) upon trust (**Trust Property**) must be dealt with in accordance with the powers and duties of Te Pūkenga or the relevant Subsidiary as trustee, despite anything in the contrary within the Education and Training Act or any other enactment relating to Te Pūkenga or the relevant Subsidiary. On this basis, the Public Finance Act-related restrictions above regarding investment by the Parent or the Subsidiary do not apply to Trust Property.

When acting as a trustee or investing money on behalf of others, the Trusts Act 2019 (**Trusts Act**) highlights that trustees (e.g., the Parent and/or the Subsidiary, if acting in its capacity as a trustee) have a "default" duty to invest prudently and that they shall exercise care, diligence and skill that a prudent person of business would exercise in managing the affairs of others. Section 28 of the Trusts Act provides that this default duty may be modified or excluded by the terms of a trust.

3 Objectives

The objectives of this Group Treasury Policy are to protect and enhance the Group's financial position by:

- Undertaking financial management activity to ensure the Group achieves its long-term financial strategy and plans.
- Ensuring that all statutory requirements of a financial nature are adhered to.
- Ensuring sufficient group and subsidiary cash flow and financial resources are available to execute the Group's strategy and plans.
- Proactively managing group-wide cash flows, treasury investments and borrowing to maximise financial management efficiencies.
- Maintaining group and subsidiary liquidity levels to meet forecast funding requirements.
- Effectively manage treasury activities within the Parent and Subsidiary delegations and responsibilities.
- Arrange group debt funding at the lowest achievable cost from debt lenders whilst minimising risks and ensuing both debt funding certainty and flexibility.
- Monitoring and managing group, interest rate, foreign exchange, and counterparty credit risks within approved risk control limits.
- Minimise exposure to adverse wholesale interest rate movements.
- Monitor and report on borrowing financial covenants and ratios under the obligations of lending/security arrangements, and Tertiary Education Commission ("TEC") requirements.
- Minimising operational risk by maintaining appropriate internal controls, systems and staffing competencies.
- Protecting the Group's assets and trading activities, preventing unauthorised transactions, and projecting a professional image of financial management control to all external parties.
- Invest, borrow and transact risk management instruments within an environment of control and compliance.
- Develop and maintain good working relationships with bank counterparties, TEC and the Ministry of Education.
- Providing timely, meaningful and accurate reporting of group treasury exposures, performance and Policy compliance to Council.

4 Delegated Authorities

Te Pūkenga's Council has the following responsibilities, either directly by itself, or via the following stated delegated authorities.

Activity	Entity undertaking activity	Delegated Authority	Limit
Approving and changing the Group Treasury Policy	Te Pūkenga	Council	Unlimited
Approving borrowing programme at the Group level	Te Pūkenga	Council	Subject to restrictions in ss282(4) and (5) of the Education and Training Act 2020 (ETA) and the conditions of any relevant written consent of the Secretary for Education for the borrowing Please refer to TEC Guidance
Approval of security and charging assets as security	Te Pūkenga	Refer to the OFP Direction for approval requirements	Subject to statutory restrictions, including in ss282(4) and (5) of the ETA, which specifies limits for both Te Pūkenga and its subsidiaries. Please refer to TEC Guidance Refer to OFP threshold approval levels.
Approval of new and refinanced bank facilities and risk management facilities (being the establishment of a derivative dealing line/limits with the bank or the signing of an ISDA agreement)	Te Pūkenga	Council	Subject to limitations under ss282(4) and (5) of the ETA and the PFA, which specifies limits for both Te Pūkenga and its subsidiaries. Please refer to TEC Guidance .

Approve establishment of the intra-group funding facility	Te Pūkenga	Council	Under the section 284(4) consent granted by the Secretary for Education on 9 September 2020, the Secretary consents to Te Pūkenga and its subsidiaries exercising powers under section 282(4), "where the exercise of those powers does not affect the overall balance sheet of the group comprising NZIST and its subsidiaries." Subject to compliance with those terms, this consent permits transactions under the proposed intra-group loan arrangements without needing to apply for Secretary consent for each separate transaction.
Approve a change in the maximum borrowing limit of each Te Pūkenga Subsidiary under any existing debt or borrowing facility	Te Pūkenga	Council	Refer to conditions of section 284(4) consent granted by the Secretary for Education on 9 September 2020.
Overall day-to-day group and subsidiary treasury management	Te Pūkenga and subsidiaries	Director, Finance of Te Pūkenga and Subsidiary CFO*	Subject to Policy
Approve use of ring-fenced treasury investments	Te Pūkenga and subsidiaries	Council or CE of Te Pūkenga and Subsidiary Board	Refer to the Cash Reserves and Ring-Fencing Policy Limits as per Delegations Policy .
Adjust group debt maturity and interest rate risk profile	Te Pūkenga	Director, Finance of Te Pūkenga	Per risk control limits
Maximum daily transaction amount (cash/working capital management related borrowing activity)	Te Pūkenga and subsidiaries	Council or Subsidiary Board CE/DCEO of Te Pūkenga Director, Finance of Te Pūkenga Subsidiary CFO*	Unlimited $50M $30M $30M For internal intra-group activity unlimited.

Maximum daily transaction amount (core borrowing and interest rate risk management) excludes roll-overs on floating rate, borrowing, and interest rate roll-overs on swaps	Te Pūkenga and subsidiaries	Council or Subsidiary Board CE/DCEO of Te Pūkenga Director, Finance of Te Pūkenga Subsidiary CFO*	Unlimited $50M $30M $30M
Maximum daily transaction amount to pay TEC funding amounts	Te Pūkenga	CE/DCEO of Te Pūkenga And Director, Finance of Te Pūkenga	Unlimited
Maximum daily transaction amount (treasury investments, both ring-fenced and non-ring fenced)	Te Pūkenga and subsidiaries	Council or Subsidiary Board CE/DCEO of Te Pūkenga Director, Finance of Te Pūkenga Subsidiary CFO*	Unlimited $50M $30M $30M
Implement the intra-group facility - borrowing and investment activity	Te Pūkenga and subsidiaries	Director, Finance of Te Pūkenga, and Subsidiary CFO*	Subject to Policy
Authorising bank signatories	Te Pūkenga and subsidiaries	Council Subsidiary Board for subsidiary accounts	Unlimited
Opening/closing bank accounts	Te Pūkenga and subsidiaries	Council Subsidiary Board for subsidiary bank accounts	Te Pūkenga is subject to s158 of Crown Entities Act regarding the opening of bank accounts. Subsidiaries should not act inconsistently with this provision.

*or equivalent delegated position if no Subsidiary CFO

This section should be read in conjunction with the OFP Directions and Delegations Policy (for Te Pūkenga) In the event of any inconsistency between:

(a) this Group Treasury Policy and the current OFP Direction, the OFP Direction applies; and
(b) this Group Treasury Policy and the Delegations Policy for Te Pūkenga, the Delegations Policy applies.

The Group treasury management structure and responsibilities are outlined in Appendix C.

5 Liquidity and Funding Risk

5.1 Risk Recognition

Liquidity risk is the risk of not being able to raise sufficient funds to meet financial obligations as they fall due.

The Subsidiaries maintain responsibility for daily cash and working capital management including the receiving of fees and payment of operating expenses. The Parent will allocate daily limits to enable the efficient management of the Subsidiary's cash and working capital requirements. Refer section 8.1.

Te Pūkenga has a prudent approach to liquidity risk management, with the primary objective of maintaining adequate liquidity to meet those group obligations as they fall due.

Short-term liquidity management requires that adequate funds are available to meet day-to-day cash requirements of the Group. Prudent liquidity and cash management involves the monitoring of cash flows, management of bank accounts and treasury investment amounts and availability of unused committed bank facilities. The objective is to ensure that any unforeseen event does not result in a short-term cash crisis and financial pressure on the Group. Costs associated with short-term liquidity management should be minimised. Refer to group and subsidiary cash management section 8.

The management of funding risks is important as several risk factors can arise to cause an adverse movement in borrowing margins, term availability and general flexibility including:

- Education sector risk is priced to a higher fee and margin level;
- The Group's own credit standing or financial strength as a borrower deteriorates due to financial or other reasons;
- A large individual lender to the Group experiences their own financial difficulties resulting in the Group not being able to manage their debt portfolio as optimally as desired.
- A disruption in the financial markets that influence funding availability and margins.

A key factor of funding risk management is to spread and control the risk to reduce the concentration of risk at one point in time so that if any of the above events occur, overall borrowing costs are not unnecessarily increased nor the desired debt maturity profile unduly compromised.

5.2 Intra-group Funding Facility

For the efficient use of group funds, the Parent operates an intra-group funding facility. The facility promotes the effective use of group treasury investments (non-ring fenced) to reduce the need for external borrowing across the Group. Rather than borrow from an external bank lender, group cash reserves are lent to the Parent who on-lends these to borrowing Subsidiaries. Accordingly, the Group only borrows the net borrowing amount from external bank providers. The parent maintains available committed bank facilities with external bank lender(s). Therefore, Te Pūkenga will manage debt on a net portfolio basis and will only externally borrow when it is appropriate to do so.

Normal daily cash and working capital management activity does not form part of the intra-group funding facility and continues to be managed by the Subsidiary. Subsidiary cash management is discussed in section 8.

The intra-group funding facility arrangements are:

- Any intra-group funding activity must be conducted within the approved intra-group funding facility Agreement and term sheet. The approved term sheet is included in Appendix E.
- The term of the facility is to 31 December 2022.
- The minimum borrowing or investing term is for one month, with the minimum amount being $1 million and multiples of $500,000.
- The establishment and commitment fees payable on the group's committed bank facility are a shared group cost.
- Intra-group borrowing and investing rates are set on a gross basis and the interest rate is on a floating rate basis. The Director, Finance releases a Group, monthly investing and borrowing rate sheet setting out the investing and borrowing margins over the BKBM-FRA rate for terms up to 12-months.

  The intra-group borrowing and investing rate sheet is approved by the Director, Finance.
- Interest is accrued in arrears based on the Subsidiary's gross, borrowing or investing activity for that month. Subsidiaries are charged interest monthly.
- One month's notice must be given by an investing Subsidiary to withdraw funds from the intra-group facility, or at a notice period agreed with the Director, Finance.
- One month's notice must be given by a borrowing Subsidiary to drawdown under the intra-group facility or to repay borrowed monies, or at a notice period agreed with the Director, Finance.
- An exception to the one month's notice period, upon approval of the Director, Finance is the use of the facility for liquidity management purposes.
- All lending and borrowing activity are on an unsecured basis.
- Group treasury retains any surplus/deficits from operating the intra-group funding facility and can be disbursed at the discretion of the Director, Finance.

Subsidiaries that lend into the intra-group funding facility recognise the counterparty risk attached to the group investing and borrowing activity. No individual entity investing and borrowing limits are prescribed given the continuation of the following:

- Committed liquidity facility support provided by the bank lender(s)
- $50 million Crown Contingency Fund, expiring 31 December 2022
- Cross-guarantees provided by the Parent and wholly owned subsidiaries.

5.3 Liquidity Risk Control Limits

The group liquidity risk control limit is as follows:

- The liquidity buffer is determined with reference to sufficient liquid funds and/or available committed bank facilities that are freely available for at least the next three months' worth of group net cash outflow requirements on a rolling basis.
  - Liquid funds are either held as:

- Available non-ring fenced, overnight bank cash deposits, registered certificates of deposit and bank term deposits maturing within a three month period, and
    - Available committed bank debt facilities that have a remaining term to expiry of at least three months.
- Committed bank facilities are maintained by the Parent on behalf of the Group and must be held with bank counterparties that have a minimum long-term credit rating of A or above and are a registered bank with the Reserve Bank of New Zealand.
- Net cash outflow information will be provided by the subsidiaries through the Subsidiary Cash Request Notice which is provided to the Parent on the 1st and 15th working day of each month.

5.4 Funding Risk Control Limits

The funding risk control limits are as follows:

- No more than 50% of the total committed bank facility amount can have a remaining term of less than one year. The liquidity and working capital debt facilities are managed within the funding control limits.
- All bank facilities must be re-negotiated at least three months prior to expiry.
- The amount and expiry date of all bank loans and committed bank facilities will not exceed the maximum amount and term of the Consent to Borrow or Ministerial Determination of Exempt Borrowing (whichever is applicable).
- The maximum borrowing term is five years.

5.5 Approved Borrowing Instruments

Approved borrowing instruments are limited to:

- Bank overdraft;
- Committed bank debt facilities;
- Bank term loan and term loan facilities; and
- Finance leases

5.6 Risk Management Policy

Under section 282(4)(d) of the Education and Training Act 2020 (ETA), the Parent may not borrow, issue debentures, or otherwise raise money unless it has obtained approval from the Ministry of Education (MoE) to borrow, or the relevant amounts do not exceed an amount determined by the Minister, or ascertained in accordance with a formula determined by the Minister pursuant to section 282(5)(c). Therefore, any future borrowing requirements that differ from the approved limits must be identified well in advance of the date they will be required to allow sufficient time for the approval process.

The Ministry of Education consent to borrow information is outlined in Appendix B.

5.7 Security Arrangements

Section 282(4) of the Education and Training Act 2020 provides that Te Pūkenga, as an "institution", may not exercise the power to mortgage or otherwise charge assets or interests in assets without the written consent of the Secretary for Education (unless the consent of the Secretary is not required under s 282(5)). Section 282(5) provides that an "institution" may mortgage or otherwise charge, an asset or an interest in an asset, within certain thresholds set by the Minister.

Section 328 of the ETA specifically provides that unless s 282(5) applies, a Te Pūkenga Subsidiary may not exercise any of the powers in s 282(4) unless it has first notified Te Pūkenga and Te Pūkenga has obtained the consent of the Secretary. This restriction is reflected in the Constitution for each Subsidiary and the OFP Direction.

Section 328 prevents the offering of security without the approval of the Secretary so Te Pūkenga generally offers an unsecured/negative pledge security arrangement for all its borrowing and risk management obligations.

Ring-fenced cash reserves are subject to the restrictions set out in the Cash Reserves and Ring-Fencing Policy.

5.8 Reporting Requirements

External borrowing will be managed within the financial ratios and limits required by bank lenders and the terms of any relevant consent granted by the Secretary for Education. Secretary for Education/TEC financial ratios and reporting requirements are outlined in Appendix B. Refer to Appendix F for the bank financial covenants and reporting requirements.

The Director, Finance ensures that these requirements are complied with at all times. Where these limits are likely to be exceeded, prior approval of Council, Secretary for Education/TEC and bank lenders is mandatory.

5.9 Finance Leases

Finance leases are a tool that allows the Group to accumulate debt-like obligations and therefore have an inherent interest cost.

Restrictions and approval requirements in respect of finance leases and the security of assets are set out in the OFP Directions.

6 Interest Rate Risk

6.1 Risk Recognition and Definition

Interest rate risk is the risk that treasury investment returns or borrowing costs (due to adverse movements in wholesale market interest rates) will materially exceed or fall short of planned/budgeted forecasts, adversely impacting revenue, cost control and capital investment decisions.

The primary objective of interest rate risk management is to reduce uncertainty relating to interest rate movements through fixing of treasury investment returns or borrowing costs. Certainty around borrowing costs on external debt is achieved through the proactive management of underlying interest rate exposures. Investment interest rate risks are managed concurrently within the interest rate and maturity limit system.

Interest rate risk management decisions are based on the gross external 'core' debt amounts contained in the approved financial forecasts.

Core debt is considered debt amounts that are expected to remain drawn for a period of greater than 12 months. There is no interest rate management of working capital debt amounts that are considered non-core and relate to short-term cash management or working capital funding purposes.

6.2 Risk Management Policy

The below limits apply when drawn external gross core debt amounts exceed $20 million. At all times Te Pūkenga's fixed interest rate repricing profile for forecast gross external debt should be within the following fixed/floating interest rate risk control limits.

Interest Rate Policy Parameters (calculated on rolling monthly basis)		
Period Ending	**Minimum Fixed Rate**	**Maximum Fixed Rate**
Current	40%	90%
Year 1	40%	90%
Year 2	30%	80%
Year 3	20%	70%
Year 4	0%	50%
Year 5	0%	50%

- The percentages are calculated on the rolling forecast gross core debt amount calculated by management.
- "Fixed Rate" is defined as all known interest rate obligations on forecast gross external debt, including where interest rate instruments have fixed movements in the applicable reset rate.
- "Floating Rate" is defined as any interest rate obligation subject to movements in the applicable reset rate.
- As approved by the Director, Finance, forecast gross external debt is the amount of total external debt for a given period. This allows for pre-hedging in advance of forecast physical

drawdown of new debt. When approved forecasts are changed (signed off by the Director, Finance), the amount of interest rate fixing in place may have to be adjusted to ensure compliance with the policy minimum and maximum limits.

- A fixed rate maturity profile that is outside the above limits, but self corrects within 90 days is not in breach of this Policy. However, maintaining a maturity profile that is outside the above limits greater than 90 days requires specific approval by Council.
- The maximum fixed rate or hedged term is 5 years.

6.3 Approved List of Interest Rate Instruments

- Interest Rate Swaps ("fixed to floating" and "floating to fixed");
- Forward start Interest Rate Swaps;
- Swap extensions, shortenings and deferrals;
- Forward rate agreements ("FRAs") on:
  - Bank bills;
- Interest rate options on:
  - Bank bills (purchased caps and one-for-one collars);
  - Interest rate swaptions (purchased swaptions and one-for-one collars only).

Limitations on interest rate instruments are set out below:

- The forward start period on swaps and collar strategies to be no more than 12 months unless linked to the expiry date of an existing instrument and which has a notional amount that is no greater than that of the existing instrument.
- Interest rate options must not be sold outright. However, 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, the sold option can be closed out by itself (i.e. repurchased). The sold option leg of the collar structure must not have a strike rate "in-the-money".
- Purchased borrower swaptions mature within 12 months.
- Interest rate options with a maturity date beyond 12 months that have a strike rate (exercise rate) higher than 2.00% above the appropriate swap rate, cannot be counted as part of the fixed rate cover percentage calculation (i.e. an ineffective hedge).

7 Investment Policy

7.1 Risk Recognition

Te Pūkenga has two distinct treasury investment portfolios being ring-fenced and non-ring fenced investment portfolios. Section 7.3 outlines the policy for ring-fenced treasury investments.

7.2 Non-ring Fenced Treasury Investments

The Group is currently a net investor of funds but is anticipated to move into a net borrower position (excluding ring-fenced treasury investments) in FY22. The Group will utilise its non-ring fenced treasury investment portfolio to meet the group's operational funding and future capital spending requirements.

Section 305(4) of the Education and Training Act 2020 provides that Te Pūkenga must invest funds in accordance with sections 65I (1) and (2) of the Public Finance Act 1989. The intention is Te Pūkenga's investment philosophy and approach is conservative, it recognises that all investments (both ring fenced and non-ring fenced) held should be low risk which generally means lower returns.

A primary objective of the treasury investment portfolio is to protect its capital value and maintain liquidity. Maintaining group liquidity means treasury investments are readily available to be used in the intra-group funding facility and for upcoming planned operational/capital spending requirements.

7.3 Ring Fenced Treasury Investments

As part of the Reform of Vocational Education, Cabinet directed that cash amounts accumulated by existing Subsidiaries at the time of the establishment of Te Pūkenga should be ring-fenced in the Group, only to be used within the regions in which they had been accumulated.

Ring-fenced cash reserves are subject to the procedures and approval requirements set out in the Cash Reserves and Ring-Fencing Policy.

7.4 Approved List of Treasury Investments

The approved treasury investments are set out below:

- Overnight and bank term deposits;
- Bank registered certificates of deposit (RCDs);
- Treasury bills;
- NZ Government bonds; and
- NZ Government guaranteed securities.

All treasury investment instruments must be either secured or senior unsecured.

No subordinated debt or similar instruments, or securitised instruments are permitted.

Any instrument not approved under section 7.4 must be approved by Council.

8 Cash Management

Te Pūkenga operates a group treasury function but with the decentralised monitoring and management of short term cash management, working capital and treasury investment management responsibilities by each Subsidiary.

Group treasury may allocate daily borrowing limits to enable the controlled management of each subsidiaries cash and working capital requirements.

The group cash management objectives are:

- Efficient monitoring and use of operating cash inflows and outflows of the group throughout the financial year.
- The planning, monitoring and management of the group cash receipts, payments and bank accounts.
- The gathering and management of cash flow and treasury information to utilise funds effectively throughout the Group.

The Director, Finance and Subsidiary CFO or Delegates have the responsibility for day to day cash management activities as follows:

- On a daily basis, prepare the bank report showing all the bank account information (electronically downloading bank account information).
- Ensure all bank accounts are part of the transactional bank account off-set and daily sweep arrangement and maintained within any prescribed limits.
- Coordinate information to determine daily cash inflows and outflows with the objective of managing the daily closing cash position within approved limits. Coordinate with accounts payable and accounts receivable and update the cash position report and forecast as required.
- Ensure any daily and end of day, short-term borrowing or investing decisions are completed as needed.
- Maintain a cash balance or available funding limit amount to meet at least the next two weeks net cash outflow requirements. All cash balance amounts must remain liquid and held in the overnight group transactional bank account.
- Notify upcoming forecast cash requirements or cash surpluses to the Parent on a fortnightly basis through the Subsidiary Cash Request Notice.
- Monthly, calculate and update the rolling, 12-month cash flow forecast.
- Ensure an ongoing efficient cash management function through continued improvement to accurate forecasting using spreadsheet modelling.
- Minimise fees and bank charges by optimising the group transactional account offset and sweep arrangements.
- Match future cash flows as far as possible to match future receipts and payments amounts.
- Compile reports detailing actual cash flows during the month compared with forecasts.

8.1 Subsidiary Cash Management

It is the responsibility of the Subsidiary CFO to monitor and manage the daily cash management, working capital and treasury investment requirements of that subsidiary. That subsidiary has responsibility for the collection of revenue and the payment of operational expenses (e.g. payroll, rent etc.).

Overnight and forecast transactional debit and credit cash balances in the transactional bank account are managed within prescribed limits. Any forecast transactional balance amounts outside of limits are either approved by the Subsidiary CFO or funded/invested through the intra-group funding facility. Balances are monitored against the limits.

Subsidiary cash management requirements are requested through the Subsidiary Cash Request Notice. The Notice is provided to the Parent on the 1st and 15th working day of each month.

Subsidiaries that maintain operational surpluses are held in overnight bank deposits with the Group's transactional bank.

9 Foreign Exchange Risk

9.1 Risk Recognition

Foreign exchange risk is defined as the adverse impact on NZD expenses and capital expenditure purchases from foreign exchange rate movements. Foreign currency management is transacted by the Subsidiary and monitored by the Parent.

Foreign exchange risk arising on capital expenditure is discussed in section 9.4.

The policy focuses on transactional risks that arise from purchases of goods and services in a currency other than NZD. Foreign exchange exposures are based on continually updated forecast payments and are recognised on the basis of:-

- Forecast payments, based on 12-month rolling payment forecasts for each currency, reviewed and updated on a monthly basis. Any foreign currency receipts are netted against the same currency payments.
- Value in currency of payment.
- Month or date of purchase and settlement terms.

Foreign currency exposures are recognised and managed when group, total annual net payments for a foreign currency amount exceed NZD2,000,000.

Monthly the rolling 12-month net foreign currency forecasts are updated and provided by each Subsidiary to the Parent. Forecasts are approved by the respective Subsidiary CFO.

9.2 Annual Budget Foreign Exchange Rates

For transactional hedging exposures, when setting exchange rates in the annual financial budgeting process, the Group's policy is to apply the contracted foreign exchange rates maturing in the budgeted financial year. Additional budgeted net payments that are not hedged are to be applied at the market forward month-end exchange rate on the day the budget is finalised.

9.3 Risk Management Policy

It is the responsibility of the Subsidiary CFO to advise the Director, Finance of any foreign exchange exposures and hedging activity.

The group, risk management limits are summarised in the following table:

Foreign Exchange Hedging Risk Control Limits		
Period	**Minimum**	**Maximum**
0-6 month	**50%**	**100%**
6-12 month	**0%**	**50%**

9.4 Foreign Exchange Risk on Capital Expenditure Items

Capital expenditure requirements may be sourced overseas in foreign currencies. Capital expenditure that is purchased in foreign currency, requires Te Pūkenga to physically sell NZD and buy foreign currency.

The Group is exposed to two related types of foreign exchange risk on imported capital expenditure items:-

- Contingent risk: Applies from the time the project capex budget is approved to the time specific capex items are approved during the course of the year. The period also includes the time from specific capex approvals to the time of purchase orders.
- Full risk: At the time capital expenditure purchase orders are approved and legal purchase commitments are made.

All individual capex items greater than NZD 2,000,000 must he hedged at all times in accordance with the following risk control limits:

Capital Expenditure – Foreign Exchange Risk Control Limits		
Recognition point	**Exposure covered by approved instruments**	**Exposure covered by purchased foreign exchange options**
Specific capital item approved		Up to a maximum 100%
Committed exposure: purchase order/contract made	Minimum 100%	

Forward exchange contracts may have maturity dates extended if scheduled payment dates are changed due to supplier delays.

9.5 Approved List of Foreign Exchange Instruments

Foreign currency exposures may be hedged by use of:

- Spot foreign exchange;
- Forward exchange contract (including par forwards);
- Foreign currency deposit account; and
- Purchased foreign exchange options.

Limitations on foreign currency hedging are set out below:

- Foreign exchange options cannot be sold outright under any circumstances.
- Purchased options with the premium payment delayed until the expiry date are allowable.

10 Counterparty Credit Risk

10.1 Risk Recognition

Counterparty credit risk is the risk of losses to Te Pūkenga arising from a counterparty defaulting on a treasury investment and/or financial instrument which Te Pūkenga is party to. The credit risk in a default event will be weighted differently depending on the type of instrument entered into. Te Pūkenga is exposed to counterparty credit risk when placing bank deposits and transacting foreign exchange instruments as well as interest rate instruments with bank counterparties.

Group treasury transactions are only entered into with approved bank counterparties. Credit risk exposures arising from students and other general ledger accounts receivable areas are not included in this policy.

Counterparties and limits can only be approved on the basis of long-term credit ratings (Standard & Poor's, Fitch or Moody's) being A or above, or for exposure terms of less than 12-months, a short-term rating of A-1 or above.

10.2 Risk Management Policy

The credit strength of counterparties is assessed by their external rating, with preference being given to S&P. In case of a split rating, the lower rating will apply.

The following schedule confirms the approved group limits:

Counterparty	Minimum long term/(short term credit rating)	Investments maximum per counterparty ($m)**	Risk management instrument maximum per counterparty ($m)	Total maximum per counterparty ($m)
NZ Government	N/A	Unlimited	None	Unlimited
NZ Registered Bank*	AA/AA- (A-1+/A-1)	90	15	105
NZ Registered Bank*	A+/A(A-1)	50	5	55

*Subject to a maximum exposure no greater than 50% of the group treasury investment portfolio being invested in one bank counterparty at any one point in time. The exception is the transactional bank whereby a maximum exposure greater than 50% is accepted for a two day period only.

** Includes both ring-fenced and non-ring fenced treasury investments

In determining the usage of the above gross limits, the following instrument weightings will be used:

- Investments (e.g. Bank Deposits) – Transaction Notional Weighting 100%.
- Interest Rate Risk Management (e.g. swaps, FRAs) – Transaction Notional (Maturity (years) 3%).
- Foreign Exchange – Transactional face value amount x (the square root of the Maturity (years) x 15%).

To avoid undue concentration of exposures, financial instruments should be used with as wide a number of approved counterparties as possible.

Credit ratings are reviewed by the Director, Finance on an ongoing basis and in the event of a credit rating downgrade, this should be reported to the Risk and Audit Committee and assessed against exposure limits. The Director, Finance should recommend a strategy to Council to move back into policy compliance as soon as practical.

11 Operational Risk

11.1 Risk Recognition

Operational risk is the risk that the Group incurs losses as a result of people, systems, inadequate or failed internal processes or external events. This includes financial loss due to mismanagement, error, fraud or unauthorised use of financial instruments.

Operational risk is relevant when dealing with financial instruments given that:

- Financial instruments may not be fully understood;
- Too much reliance is often placed on the specialised skills of one or two people;
- Most financial instruments are executed over the phone;
- Operational risk is minimised through the adoption of all requirements of this Policy.

This section also captures the treasury management activities of the subsidiaries.

11.2 Dealing Authorities and Limits

Transactions will only be executed by those delegated persons and within limits approved by Council.

Any potential or actual breach is approved by the Director, Finance and notified to Council as an exception, along with an explanation and how the breach will be rectified.

11.3 Segregation of Duties

As there are a small number of people involved in the treasury function, adequate segregation of duties among the treasury functions of deal execution, confirmation, settling and accounting/reporting is not strictly achievable. The risk will be minimised by the following process:

- The Director, Finance reports directly to the Deputy CEO Operations.
- There is a documented approval process for cash management, borrowing, treasury investment and risk management activity.
- The respective Finance Team of the Parent or Subsidiary reports immediately to the Director, Finance or Subsidiary CFO, if Policy limits or parameters are breached.

11.4 Procedures

All financial instruments should be recorded and diarised within a treasury spreadsheet, with appropriate controls and checks over journal entries into the general ledger. Deal capture and reporting must be done immediately following execution. Details of procedures including templates of internal deal tickets should be compiled in a Treasury Procedures Manual separate to this Policy.

Procedures should include:

- Regular treasury reporting.

- Regular risk assessment, including review of procedures and controls as directed by the Risk and Audit Committee.
- 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.

11.5 Organisational Controls

- The Director, Finance has responsibility for establishing appropriate structures, procedures and controls to support group treasury activity.
- All treasury management activity is undertaken in accordance with approved delegations authorised by Council and the respective Subsidiary.

11.6 Electronic Banking Signatories

- Positions approved by the Council as per register.
- Dual signatures are required for all electronic transfers.

11.7 Authorised Personnel

- All counterparties are provided with a list of personnel approved to undertake transactions, standard settlement instructions and details of personnel able to receive confirmations.

11.8 Recording of Deals

- Competitive rates are sought for all treasury investment and risk management transactions.
- Deal summary records for cash management, borrowing, treasury investments, interest and foreign currency management are maintained on spreadsheets by the respective Finance Team and updated promptly following completion of a transaction.

11.9 Confirmations

- All inward deal confirmations are received and checked by the respective Finance Team against the internal deal ticket and the treasury spreadsheet records to ensure accuracy. The independent checker of the transaction is not the deal originator.
- Deals, once confirmed, are filed (internal deal ticket and attached confirmation) by the respective Finance Team in deal date/number order.
- Any discrepancies arising during deal confirmation checks which require amendment to Te Pūkenga records are signed off by the respective Director, Finance or Subsidiary CFO.

11.10 Settlement

- All cash management, borrowing, treasury investment and interest, foreign currency transaction are settled by direct debit or credit authority.

11.11 Reconciliations

- Bank reconciliations are performed monthly by the respective Finance Team, reviewed and approved by the Finance Manager or Subsidiary CFO. Any unresolved unreconciled items arising during bank statement reconciliation which require amendment to Te Pūkenga records are signed off by the Director, Finance. or Subsidiary CEO.
- A monthly reconciliation of the treasury spreadsheet to the general ledger is completed by the Finance Team and reviewed and approved by the Finance Manager or Subsidiary CFO.
- The Finance Team reconcile monthly summaries of outstanding financial contracts from bank counterparties to internal records which are reviewed and approved by the Finance Manager.
- Interest income and payments from the treasury spreadsheet are reconciled to bank statements by the Finance Team when completing the monthly bank reconciliations.
- Monthly treasury journals are completed by the Finance Team and approved by the Finance Manager or respective Subsidiary CFO.

11.12 Legal Risk

Legal and regulatory risks 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. While legal risks are more relevant for banks, Te Pūkenga may be exposed to such risks, in the event that Te Pūkenga is unable to enforce its rights due to deficient or inaccurate documentation.

Te Pūkenga will seek to minimise this risk by:

- Ensuring all Te Pūkenga authorities in regards to treasury transactions are approved as required by legislation.
- 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.
- Approved bank counterparties are sent an up to date list of persons authorised to undertake treasury transactions on behalf of Te Pūkenga on an annual basis or where there is a personnel change.
- The matching of third party confirmations and the immediate follow-up of anomalies.
- The use of expert advice.

11.13 Agreements

Funding arrangements, treasury investments and financial instruments can only be entered into with banks that have in place an approved and executed legal agreement or ISDA Master Agreement.

Te Pūkenga's internal/appointed legal counsel must sign off on all legal documentation.

11.14 Financial Covenants and Other Obligations

Te Pūkenga must not enter into any transactions where it would cause a breach of bank, TEC or other financial covenants/ratios under existing contractual arrangements.

Any forecast technical breach of covenants/ratios must be immediately notified to the Director, Finance and a strategy implemented to ensure an appropriate remedy (e.g. waivers, amendments) is satisfactorily agreed with the affected party.

Te Pūkenga must comply with all obligations and reporting requirements under existing funding/lending facilities and legislative requirements.

12 Reporting and Performance Measurement

12.1 Reporting

The following reports must be produced and presented on the following basis:

Report Name	Frequency	Prepared by	Recipient
• Bank account analysis and cash position report	Daily	Subsidiary and Group Finance Team	Subsidiary CFO and Director, Finance
• Subsidiary Cash Request Notice.	Bi-monthly	Subsidiary Finance Team	Subsidiary CFO and Director, Finance
• Treasury Exceptions Report	As required	Subsidiary and Group Finance Team	Subsidiary CFO and Director, Finance Risk and Audit Committee Council
• Monthly Treasury Report • Treasury investment positions and limits (ring-fenced and non-ring fenced) • Borrowing limits • Funding and Interest Risk Position • Funding facility/usage • New treasury transactions • Subsidiary and Parent Cash flow forecast report (rolling 12-month) • Liquidity position and limits • Foreign currency risk position and forecasts • Group counterparty credit risk position and limits • Market/strategy commentary/update • Financial ratios (bank and TEC)	Monthly	Subsidiary and Group Finance Team	Subsidiary CFO and Director, Finance Risk and Audit Committee Council

Quarterly Treasury Report ● Content of Monthly Treasury Report ● Derivative valuations ● Treasury performance	Quarterly	Subsidiary and Group Finance Team	Subsidiary CFO and Director, Finance Risk and Audit Committee Council

12.2 Performance Monitoring

In order to determine the success of the treasury function, the following benchmarks and performance measures have been prescribed.

Management	Performance
Operational performance	● All policy limits must be complied with, including (but not limited to) counterparty credit limits, risk limits and policy parameters. ● All treasury deadlines are to be met, including reporting deadlines.
Management of debt and borrowing costs	● The actual borrowing cost amount should be at or below the budgeted YTD/annual borrowing cost amount. ● The actual borrowing rate should be at or below the budgeted borrowing rate.
Management of treasury investments (ring-fenced and non-ring fenced)	● The actual investment return amount should be at or above the budgeted YTD/annual interest revenue amount. ● The actual investment rate of return should be at or above the budgeted rate of return.

12.3 TEC and Bank Reporting Requirements

Te Pūkenga will comply with all TEC, bank and other lender reporting requirements. Refer to Appendix B and F.

13 Group Treasury Policy Review

The Director, Finance has the responsibility to prepare a review report (following the preparation of annual financial statements) that is presented to the DCEO.

The report must include:

- Overview of the treasury function and Policy in achieving the stated objectives;
- Comments and recommendations from the Group's internal/external auditors on the treasury function;
- Comments that the Policy remains consistent with its legal requirements;
- Provide a summary of breaches of policy and one-off approvals outside policy, to highlight areas of policy tension;
- Recommendation as to changes, deletions and additions to the policy.

The Risk and Audit Committee receives the review report, and recommends any policy changes to Council for approval.

The Policy is reviewed annually for internal purposes.

Appendix A – Approved Bank Counterparties

As of January 2021, Te Pūkenga has the following approved bank counterparties:

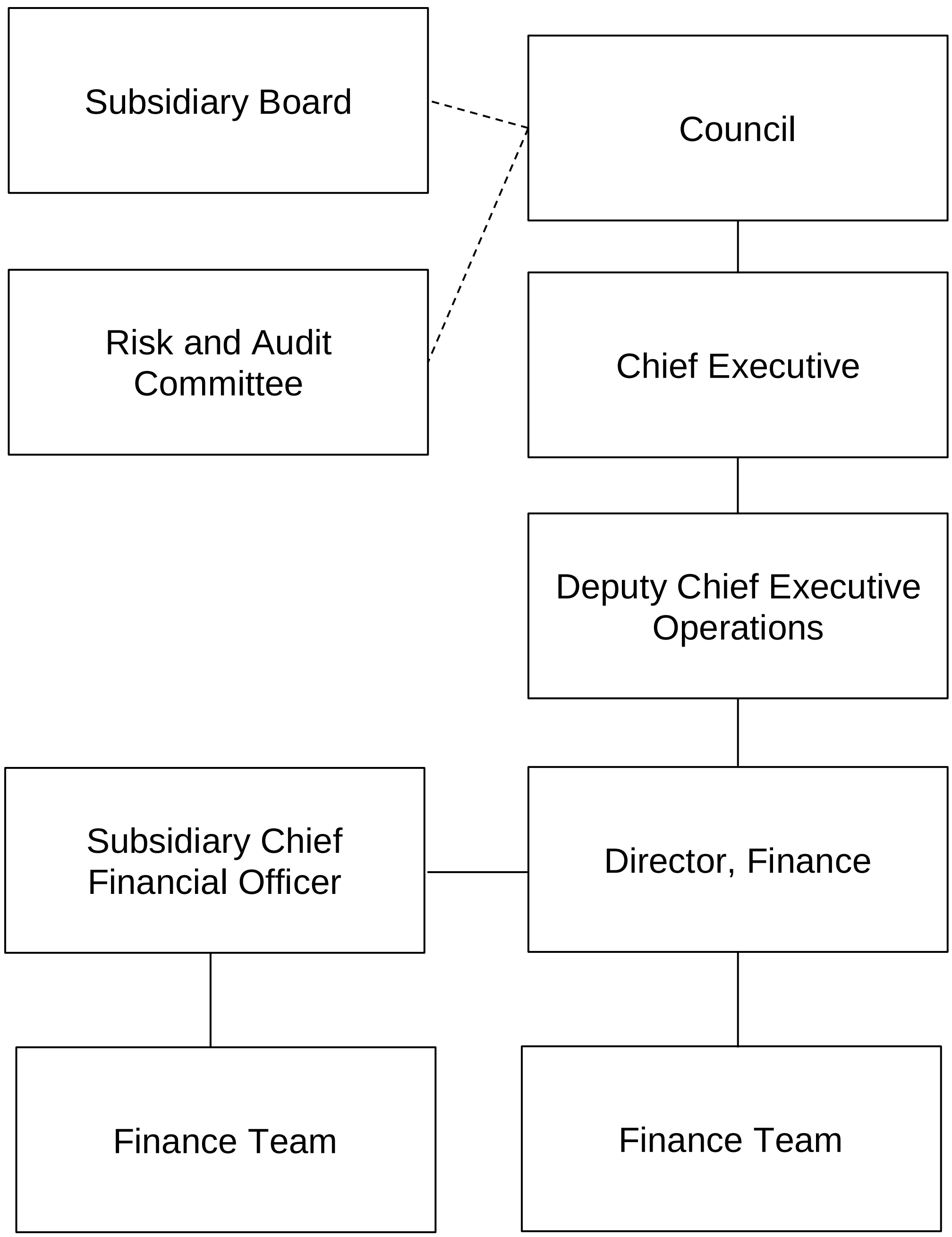
Bank	S&P Credit Rating (short-term and long-term)
ANZ Bank New Zealand Limited	A-1+/AA-
ASB Bank Limited	A-1+/AA-
Bank of New Zealand	A-1+/AA-
Westpac New Zealand Limited	A-1+/AA-
The Hongkong and Shanghai Banking Corporation	A-1+/AA-
Kiwibank Limited	A-1/A
Rabobank New Zealand Limited	A-1/A

Appendix B – Ministry of Education Consent to Borrow and Financial Reporting Ratios

<to update>

Appendix C – Reporting Structure - Parent

The management structure diagram below describes the hierarchy of reporting and the responsibilities of different positions within the Parent's treasury function.



The treasury related tasks and responsibilities are as follows:

Council

The Council has ultimate responsibility for ensuring 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 Te Pūkenga.

In this respect, the Council has responsibility to:

- Approve the annual financial and capital expenditure budget and long-term financial plan of Te Pūkenga.
- Maintain and approve the group risk register which includes treasury risks.
- Approve the Group Treasury Policy and any changes to the Policy.
- Approve one-off transactions and policy non-compliance matters.
- Approve new and refinancing of bank facilities and dealing facilities.
- Approve the intra-group funding facility.
- Approve the opening and closing of bank accounts.
- Approve the list of authorised signatories.
- Within the Delegations Policy as required, evaluate and approve or decline a request relating to a Reserved Matter from a subsidiary.

Subsidiary Board

- Approve the use of ring fenced treasury investments.
- Approve the Reserved Matter request prior to seeking Council's consent.

Risk and Audit Committee (RAC)

The Risk and Audit Committee's terms of reference are to review and monitor the Group Treasury Policy and treasury activities, and to report to Council. The Risk and Audit Committee's responsibilities include:

- Review, maintain and monitor the robustness and comprehensiveness of the Group Treasury Policy, including the delegation's framework.
- Review and monitor the implementation of the Policy through receiving regular treasury reports.
- Receive and review issues raised by auditors (both internal and external) in respect of any significant weaknesses in the treasury function.
- Submissions are received from the Director, Finance notifying Policy non-compliance matters and reporting these to Council for approval.
- Annually receive the internal review of the Policy and recommend any changes to Council for approval.
- Receive the two yearly fundamental Policy review report and recommend any Policy changes to Council.

Chief Executive (CE)

The CE has delegated responsibility for group treasury activities and the implementation of the Group Treasury Policy. Day to day responsibility is delegated to the DCEO.

The CE is responsible for the following:

- Where within Delegations Policy to approve or decline a request relating to a Reserved Matter from a subsidiary.

Deputy Chief Executive Operations (DCEO)

The DCEO is responsible for the following:

- Delegating day-to-day responsibility to the Director, Finance for the group treasury function.
- Approve all treasury transactions including interest rate and foreign currency transactions within approved delegated authority.
- Receive and review recommended Policy changes from the Director, Finance.
- Review of submissions from the Director, Finance requesting approval for one-off transactions or risk positions falling outside Policy and seek approval from Council (via RAC).

Director, Finance (DF)

The DCEO delegates to the Director, Finance overall day-to-day responsibility for the group treasury function.

Specific responsibilities include:

Group:

- Reporting to the DCEO and Council on all treasury risks and activities and advise on significant market events that may impact on Te Pūkenga.
- Reviewing and recommending Policy changes to the DCEO and Council (via RAC).
- Maintaining relationships with the bank counterparties and the TEC.
- Ensuring that all TEC and bank financial covenants and reporting requirements are met.
- Set and approve the intra-group funding facility lending and borrowing rate.
- Monitor compliance against limits and prepare reports on an exception basis for approval. Submit one-off approval (via the DCEO and RAC to Council) of individual transactions or risk positions outside the Policy limits.
- Ensuring that treasury procedures and policies are implemented, controlled and reported on in accordance with this Policy.
- Conduct an annual review of the Policy.
- Account for all treasury transactions in accordance with legislation and generally accepted accounting principles.

Parent:

- Approve debt, treasury investment and risk management strategies.
- Approve all treasury transactions including interest rate and foreign currency transactions within approved delegated authority.
- Monitor cash and working capital management activity.
- Approve the daily cash position report.
- Monitor and review all treasury activity through receiving treasury reports from the Finance Team.
- Reviewing the cash flow forecast on a daily basis and ensuring that all group debt, treasury investment and risk management requirements are transacted internally or with the bank(s).
- Check compliance against limits and prepare reports on an exception basis for approval. Submit one-off approval (via the DCEO and RAC to Council) of individual transactions or risk positions outside the Policy limits.
- Ensuring that segregation of duties and internal controls are maintained at all times, particularly during staff absences.

Chief Financial Officer (CFO) or equivalent position - Subsidiary

The Subsidiary CFO has the following tasks and responsibilities:

- Reporting to the Director, Finance on cash management, liquidity, debt, treasury investment and risk management activities on a monthly (or more irregular if needed) basis.
- Maintaining, updating and reviewing the rolling, 12-month cash flow forecast on a weekly basis.
- Inform the Director, Finance of forecast intra-group lending or funding activity including investing, borrowing drawdowns and withdrawals.
- Maintaining relationships with bank counterparties as they relate to ring-fenced and non-ring fenced treasury investments and risk management activity.
- Maintaining relationships with the transactional bank.
- Ensuring that the Policy is implemented and reported on.
- Approve, cash management, working capital management, treasury investment and risk management transactions, along with intra-group lending and funding activity as they relate to the Subsidiary.
- Approve the daily cash position report.
- Ensure daily and forecast compliance against treasury limits.
- Receive external bank deal confirmations. Check all deal confirmations against internal deal tickets and report any irregularities.
- Monthly, approve all bank reconciliations.

- Approve, monthly treasury spreadsheet reconciliation to general ledger.
- Approve monthly treasury journals.

These responsibilities may be delegated by the CFO to an appropriately qualified senior finance staff member.

Finance Team - Group and Subsidiary

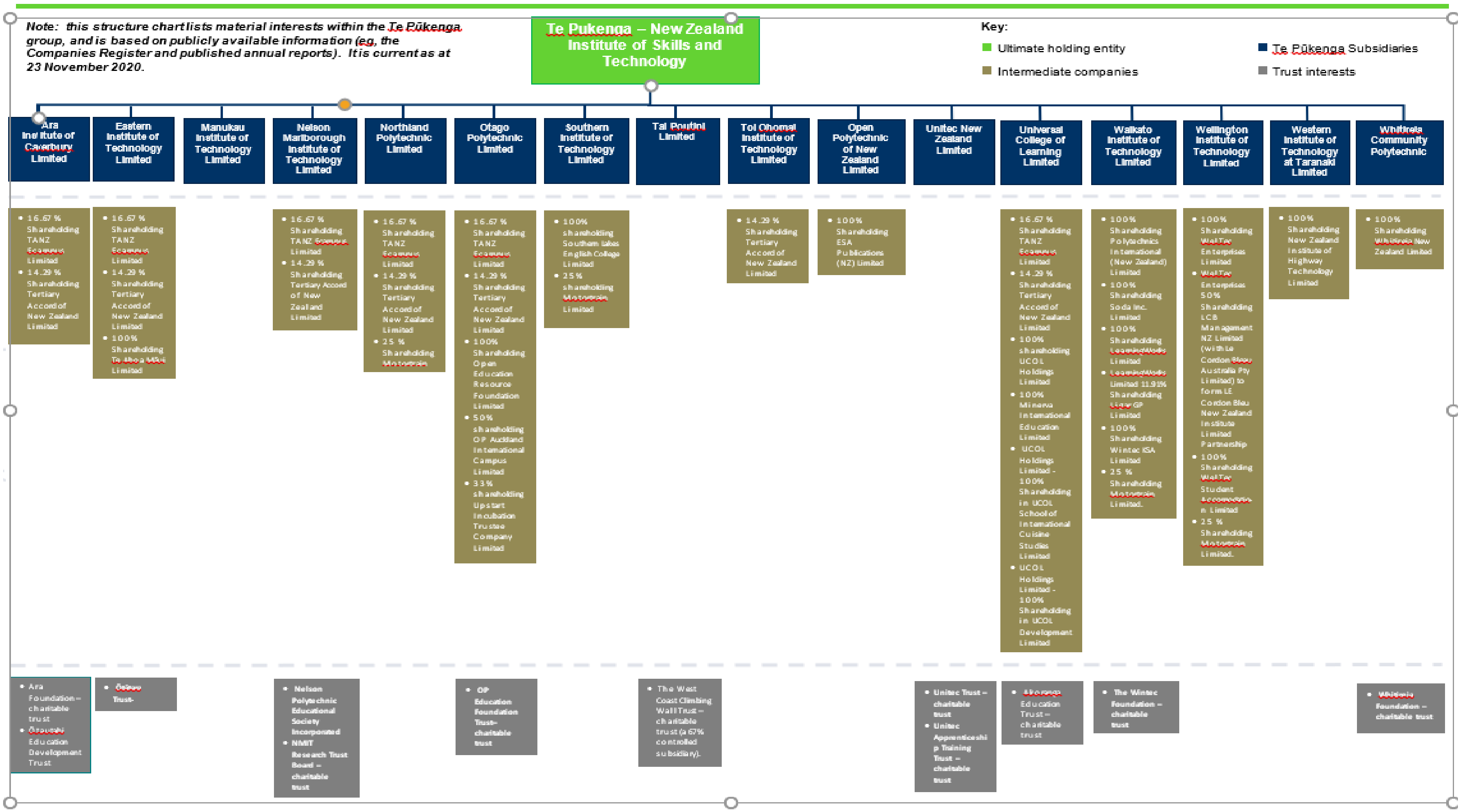
Specific responsibilities include:

- Execute cash management, working capital management, treasury investment (non-ring fenced and ring fenced), debt, interest rate and foreign currency transactions in accordance with delegated authorities.
- Update treasury spreadsheet(s) for all new, re-negotiated and maturing transactions.
- Recording, processing and settlement of all transactions.
- Receive external bank deal confirmations. Check all deal confirmations against internal deal tickets and report any irregularities immediately to the Director, Finance or Subsidiary CFO.
- Handle all administrative aspects of bank counterparty agreements and documentation such as loan agreements and ISDA documents.
- Complete and review all bank reconciliations.
- Reconcile monthly summaries of outstanding financial contracts from banking counterparties to internal records.
- Provide daily (as required), weekly, monthly, quarterly treasury reporting to the Director, Finance or Subsidiary CFO.
- Complete the daily cash position report.
- Complete the short-term and medium term cash flow forecasts.
- Manage the operation of all bank accounts.
- Complete and process Subsidiary Cash Request Notice. (Subsidiary only)
- Complete monthly treasury spreadsheet reconciliation to general ledger.
- Complete monthly interest accrual and treasury journals.
- Review monthly NZD and foreign currency bank reconciliations.
- Settlement of all treasury transactions with approved bank counterparties.
- Monitor credit ratings of approved counterparties (Group only).

Finance Manager (Parent)

- Monthly, approve bank and general ledger reconciliations.
- Approve monthly interest accrual and treasury journals.
- Approve monthly summaries of outstanding financial contracts from banking counterparties.

Appendix D - List of group subsidiaries and legal entities



Appendix E - Intra-group Funding Facility Term Sheet <<to be included>>

Appendix F - Bank Financial Covenants and Reporting Requirements <<to be included>>