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TREASURY MANAGEMENT POLICY

Date first approved:	**Date of effect:**	**Date last amended:** (refer to Version Control Table)	**Date of Next Review:**
19 October 2012	**19 October 2012**		8 May 2018

First Approved by:	University Council
Custodian title & e-mail address:	Director Financial Operations
Author:	Director Financial Operations
Responsible Division & Unit:	Financial Services Division
Supporting documents, procedures & forms:	Bank Debt Facility Agreement Capital Market Debt Issuance Deed Poll ISDA Master Agreement Treasury Procedures & Controls (includes - Business Continuity Procedure, Cash Flow Forecast, Long Term Financial Plan, Short Term Deposit and Cash Flow Procedure, University Risk Register, USD Account Balance Procedure)
Relevant Legislation & External Documents:	University of Wollongong Act 1989 Delegations of Authority Policy Risk Management Policy
Audience:	Public – accessible to anyone

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UNIVERSITY
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Contents

UNIVERSITY
OF WOLLONGONG
AUSTRALIA

UNIVERSITY
OF WOLLONGONG
AUSTRALIA

1 Purpose of Policy

1. The core activities of the University of Wollongong (The University) are the pro motion of scholarship, research, free inquiry, the interaction of research and teaching, and academic excellence.
2. To enable these core activities, the University undertakes treasury functions including daily cash management, investment of short and long-term funds, foreign exchange transactions, and the transaction implementation and risk management associated with its investment and debt portfolios.
3. The purpose of this policy is to provide an over-arching framework for managing the objectives and risks associated with undertaking these treasury functions, specifically in relation to:
    a. minimising cost of debt, and maximise returns on investments, within prudent risk parameters.
    b. identifying and effectively managing financial risk, and
    c. prohibiting speculative treasury decisions.
4. This policy requires, where possible, risks to be identified, quantified, assessed, and actively managed. The Treasury Management Policy incorporates the University's Investment Policy and the Debt Portfolio Interest Rate Hedging Policy. The Financial Services Division is responsible for implementing this policy.

2 Objectives of Policy

1. The objective of this policy is to provide an understanding of the risks associated with treasury management, and to provide the framework that allows the Financial Services Division to manage those risks whilst minimising the cost of debt and maximising returns on surplus funds. This policy provides procedural guidelines to assist in the management of:
    a. Credit Risk
    b. Short Term Liquidity Risk
    c. Funding and Refinancing Risk
    d. Interest Rate Risk
    e. Foreign Exchange Risk
    f. Operational Risk relating to treasury activities.
2. This policy also contains the objectives of the University's Investment Policy, and the debt Portfolio Interest Rate Hedging Policy.

3 Definitions

Word/Term	Definition (with examples if required)
Credit Risk	Credit risk is the risk of potential loss arising from default or insolvency of a financial institution. The University's credit risk arises from transactions entered into with financial institutions.

Foreign Exchange Risk	Foreign Exchange Transaction Risk is the risk that the University's results are impacted by movements in exchange rates. The risk is that a potential gain or loss could result from a movement in the Australian dollar value of foreign currency payments or receipts.
Funding Risk	Funding risk is the risk that the University has not, or is unable to arrange, adequate debt finance to fund the University's future financial commitments.
Interest Rate Cap	An interest rate cap provides protection against future increases in interest rates. In a standard cap transaction, a buyer makes an upfront payment and receives protection against a rise in a specified floating rate index above a pre-set strike level for a set amount and maturity. If the floating rate exceeds the strike rate at the beginning of any payment period, the buyer receives the difference between the market and the strike rate times the notional amount for the payment period. An interest rate cap can have a maturity between three months and fifteen years and be assigned a forward starting date. Interest rate caps are typically used to reduce floating rate debt exposure. A collar is equivalent to buying a cap and selling a floor.
Interest Rate Swap	An interest rate swap is a contractual exchange of interest payments between two parties. A standard interest rate swap involves the payment of a fixed rate times a notional amount by one party in exchange for a floating rate times the same notional amount from another party. No principal payments are made. An interest rate swap can have a maturity between three months and fifteen years, be assigned a forward starting date, and involve exchanges of a variety of indices.
Interest Rate Risk	Interest rate risk is the impact of volatility in net interest income / expense on the financial position of the University.
Liquidity Risk	Liquidity risk is the risk that the University does not have access to sufficient available funds to enable it to make all payments as they become due.
Operational Risk	Operational risk is the risk of financial loss arising from internal process failure, human error or fraud, systems failure, or other external events.
Refinancing Risk	Refinancing risk is the inability to rollover existing facilities as they mature.
Swaption	An interest rate 'swaption' is an option to enter into an interest rate swap. In a standard 'swaption' transaction, the buyer obtains the right to enter into a swap with specified terms on or before a designated date and the seller receives an up- front premium.

Terms and definitions that will be used throughout the procedure that need clarification for the reader, this can also include any keywords. Include also technical terms, abbreviations that maybe used in this document.

Some words are already defined within the University, check with the Quality Assurance Definition & Glossary and/or the Policy & Governance Unit to ensure that you are not creating new definitions for words>

UNIVERSITY
OF WOLLONGONG
AUSTRALIA

4 Credit Risk

Objectives

1. To manage the overall level of credit exposure to individual financial institutions that the University transacts with, to acceptable levels of credit risk through institution selection and diversification.

Policy Statement

2. The primary instruments of the University exposed to credit risk are bank deposits, and other monetary investments.
3. Bank deposits must be invested within the allocation constraints outlined in Schedule 3- Approved Counterparties and Allocation Constraints.
4. Prior to any bank deposit transaction being placed, the University 's current credit exposure to a counterparty must be checked to ensure the new transaction will not result in a breach of policy, and is not expected to result in a breach of the policy during the term of the deposit.
5. Other monetary investments are regulated by the University's Investment Policy and can be found in Schedule 1 of this policy.

5 Short Term Liquidity Risk

Objectives

1. To ensure that the University has the financial flexibility to meet all financial obligations as they fall due with surplus cash held specifically for this reason.

Policy Statement

2. The University will hold a minimum level of liquidity (defined as Cash or cash equivalents) as prescribed in Schedule 1 Appendix 3- Asset Allocations.

6 Funding and Refinancing Risk

Objectives

1. To ensure the University can obtain new debt, and/or roll over existing debt, in order to meet its financial requirements in a timely manner.

Policy Statement

2. The Chief Operating Officer (COO) will maintain a view of funding requirements for the University through the development and maintenance of a long-term financial plan and funding analysis.
3. In instances where the Long Term Financial Plan includes the requirement to raise debt

(including new and refinanced debt), the COO will be required to develop and maintain appropriate management procedures relating to such debt facilities.

4. Covenant Compliance - The COO will annually review, prepare, and issue covenant compliance certificates and/or statements as described in any facility agreements. These statements will be reported to the Finance and Resources Committee annually.

7 Interest Rate Risk

Objectives

1. To monitor and manage interest income and expense volatility of the University to acceptable levels.

Policy Statement:

2. Interest rate risk exposure is to be monitored, assessed, and managed as per the guidelines detailed in Schedule 2 Debt Portfolio Interest Rate Hedging Policy, of this document.

8 Foreign Exchange Risk

Objectives

1. Objectives with respect to foreign exchange risk management are to engage and work co- operatively with faculties, schools, departments, and research centres in an effort to identify all material foreign exchange exposures and to manage those exposures to achieve the best outcome for the University.

Sources of Exposures

2. The primary sources of foreign exchange exposures are:
    a. Foreign currency income associated with research grants.
    b. Foreign currency income associated with off shore teaching activities
    c. Foreign currency expenditures associated with research grants.
    d. General payments denominated in foreign currency.
    e. Annual expenditure associated with the foreign currency subscriptions and publications of the University library.
3. Other general exposures, which may be incurred from time to time, such as the acquisition of foreign currency denominated receivables and payables.

Policy Statement

4. Wherever possible, in an effort to reduce foreign exchange exposure arising out of offshore contracts, the University will seek to have contracts denominated in Australian dollars.
5. The University only holds a relatively small amount of foreign currency in a USD account. The balance of this account shall be managed in accordance with the USD Account Balance Procedure.
6. The University will not maintain a general continuing hedge against exposure to foreign currency.
7. Faculties, schools, departments, research centres and others who have the capacity to enter into foreign currency obligations on behalf of the University, must advise the Director Financial

Operations (DFO), or his delegate, of such exposures denominated in foreign currencies, using the guidelines prescribed in Schedule 4 Foreign Currency Transaction Requirements.

8. The DFO is required to manage net foreign currency exposures using the guidelines prescribed in Schedule 4 Foreign Currency Transaction Requirements.
9. The University may hedge against a foreign currency exposure by the use of forward exchange contracts. Forward exchange contracts shall only be entered into in accordance with the Delegations of Authority Policy, and with counterparties as prescribed in Schedule 3 Approved Counterparties and Allocation Constraints.

9 Operational Risk

Objectives:

1. The University's objectives, when managing operational risk associated with Treasury activities, are:
    a. To minimise risk through application of an appropriate level of internal controls and segregation of duties.
    b. To ensure that current well documented procedure manuals are readily available, and that those procedures are applied in conjunction within the guidelines of this policy.
    c. To ensure adequate business continuity procedures are in place and documented.

Policy Statement

2. To assist in the management of operational risk of treasury activities the following will be maintained, regularly reviewed, and adhered to:
    a. Documented procedures and controls manual for all treasury activities, incorporating dealing limits.
    b. Job descriptions for all staff including roles and responsibilities.
    c. A formal segregation of duties matrix.
3. It is noted that, to ensure appropriate levels of internal controls are in place, the University internal audit function will review the requirements of this policy on an annual basis, and include Treasury Risk Management on the University Risk Register.

10 Reporting

1. Breaches of this policy are to be reported to the Chief Operating Officer within one business day of the breach occurring.
2. When relating to amounts greater than AUD$300,000, the breach must also be reported to the Vice-Chancellor immediately the breach is identified.

8 Version Control

Version Control	Date Effective	Approved By	Amendment
1	19 October 2012	University Council	New policy
2	4 March 2013	Vice-Principal (Administration)	Deputy Vice Principal (Finance & IT) replaced with Chief Finance Officer. Associate Director Financial Services replaced with Director Financial Operations.
3	11 September 2013	Chief Administrative Officer	Updated to reflect title change from VP (A) to CAO.
4	27 February 2014	Chief Finance Officer	Update Schedule 1 Appendix 3 – Asset Allocations
5	8 May 2015	Finance & Resources Committee	Updates to Schedule 1 Investment Policy
6	13 September 2016	Finance & Resources Committee	Updates to Schedule 1 Appendix 3 and Appendix 5
7	30 May 2018	Finance & Resources Committee	Updates to enable medium term investments
8	28 April 2020	Chief Operating Officer	Minor administrative updates for change in title of Chief Finance Officer to Chief Operating Officer and removal of Chief Administrative Officer.

UNIVERSITY
OF WOLLONGONG
AUSTRALIA

Schedule 1 Investment Policy

1 Purpose of Policy

1. This investment policy aims to:
    a. Establish a clear understanding of the University's investment goals and objectives;
    b. Define and assign responsibilities for investing activities;
    c. Offer guidance and define limitations regarding the investment of University assets;
    d. Manage University assets according to prudent standards and consistent with applicable legislation;
    e. Establish the relevant investment horizon for which the University's assets will be managed; and
    f. Establish a basis for evaluating investment results.
2. This investment policy provides guidelines for asset allocation, funds management, portfolio management, reports on investment performance and market benchmarks to assist in tracking and adjusting investment performance targets.

2 Application & Scope - Exclusions or Special Conditions

1. The University has authority to exercise investment powers under Schedule 2 of the University of Wollongong Act, 1989. The University's investing activities are constrained by any limitations, caveats or restrictions specified by the Treasurer or by any relevant regulation.

3 Policy Principles

1. Investments shall be made solely in the interests of the University.
2. Investments shall be made with care, skill, prudence, and diligence.
3. Investment of funds shall be so diversified with a view to minimise the risk of large losses.
4. The University may employ one or more investment managers to attain its investment objectives, in accordance with the Treasurer's approval under the University of Wollongong Act 1989.
5. Cash is to be employed productively at all times, by investment in short term cash or cash equivalents, to provide security, liquidity, and return.
6. The University's investment decisions have regard to environmental, social and governance (ESG) considerations. In order to achieve long-term investment objectives at appropriate levels of risk, ESG

principles are considered in conjunction with financial factors. However, where feasible, investment managers should avoid investment in securities directly involved in the production or sale of tobacco.

4 Delegation of Authority

1. The assignment of responsibility for investment decisions in the University are as follows:

    a. The University Finance and Resources Committee is responsible to the University Council for monitoring the investment management of University funds. The Finance and Resources Committee must approve the appointment of any investment manager. The Finance and Resources Committee then monitors the performance of investments and of investment managers.

    b. Delegated officers of the University participate in the formulation and execution of investment policy, objectives, and guidelines; evaluating investment managers; reviewing such managers over time; measuring and reporting investment performance; and other tasks as deemed appropriate. Day to day financial transactions are to be executed within delegations and consistent with the provisions of this policy. The delegations from Council that relate to investment activity are detailed in Section 8(10) of the Delegations of Authority Policy.

    c. Investment Manager(s) are designated external entities, appointed by the University's Finance and Resources Committee, with discretion to purchase or sell, in the University's name, the specific securities that will be used to meet investment objectives. The approved investment managers are specified in Schedule 1 Appendix 1 of this Investment Policy.

    d. The University's Investment Advisory Committee has expertise in investment management that can be drawn on by the University. Its terms of reference are specified in Section 13 of this Investment Policy.

    e. Arrangements with any external body or party must be in writing, comply with the provisions of this Investment Policy and be signed on behalf of the University by persons with delegated authority.

5 Investment Objectives

1. The primary objectives in the investment of assets shall be:

    a. Daily Bank Account: to provide absolute security and accessibility for regular transactions.

    b. Short Term Cash Portfolio: to provide a high degree of security and accessibility and a competitive interest rate. Individual investments shall not exceed a twelve-month timeframe.

    c. Medium Term Investment Portfolio: Investment of specific funds with a 3 to 5 year timeframe, maintenance of capital, relatively short demand liquidity

d. Long Term Investment Portfolio: to provide an investment in perpetuity and to notionally cover superannuation and leave provisions by providing balance sheet stability and support the Standard and Poor's AA credit rating. In addition, the portfolio shall aim to achieve an annualised return, which exceeds the weighted average cost of borrowings over the long term.

1. More specifically, rate of return objectives are to equal or exceed a return (before fees) of:
   a. Daily Bank Account: a competitive interest rate relative to similar banking facilities in the market.
   b. Short Term Cash Portfolio: to exceed the 11 am daily cash rate.
   c. Medium Term Investment: to exceed over the investment time horizon above the cost of the University's medium term debt.
   d. Long Term Investment Portfolio: as agreed with the Investment Manager in the investment mandate, and with reference to a publically available benchmark index.
   e. Investment return is to be measured on the basis of total return; that is, the aggregate return from capital appreciation and dividend and interest income.
   f. Asset class benchmarks referenced to publically available indices are to be agreed with investment managers as part of the written contracts with them and reviewed in terms of those contracts.

6 Risk and Volatility of Returns

1. In order to achieve its objectives, it is understood that investment returns will experience volatility and fluctuations in market value. The University will tolerate volatility as measured against the volatility of a comparable market index in each asset class and a composite index based on the strategic allocation to each asset. The indices (e.g. the ASX All Ordinaries index) used as a measure of an investment manager's performance will also be used to benchmark what is allowable volatility (risk).
2. The primary objective with regards to risk for the Long Term Investment Portfolio (as outlined in 5.1(d)) is to provide balance sheet stability and support the Standard and Poor's AA credit rating. In order to achieve this objective, the Long Term Investment Portfolio should aim to experience a negative return no more often than 1 in 5 years on average over the long term.

7 Liquidity and Cash Management

1. Financial Services Division will periodically provide investment managers with an estimate of expected net cash flows to minimise the possibility of a loss occasioned by the sale of a security forced by the need to meet a required payment. They will notify the investment managers in a timely manner, to allow sufficient time to build up the necessary liquid reserves.

UNIVERSITY
OF WOLLONGONG
AUSTRALIA

8 Asset Allocation

1. Asset allocation refers to the mix of investments, for example, the mix of investments in cash versus in fixed term bonds or equities.
2. This Investment Policy requires an allocation between asset classes as specified in Schedule 1 Appendix 3 Asset Allocations.

9 Investment Guidelines

1. Investment of assets in cash and fixed income securities shall be well diversified amongst various forms of Australian, global and inflation-linked securities to the satisfaction of the Investment Advisory Committee. These investment guidelines, found in Schedule 1 Appendix 2 are to be adhered to in conjunction with the Ratings Agency Constraints found in Schedule 1 Appendix 4.

10 Financing and Operating Activities

1. The amount of funds available for investment is limited by the demand for funds for financing and operating activities of the University. Financing and operating decisions may therefore significantly increase or decrease the investment returns to the University.
2. Financing decisions, for example, the offering of internal loans, should be evaluated against benchmark returns for investment funds and internal loan and other similar financing decisions should be required to deliver a return equal to the investment benchmark. If this cannot be achieved, then consideration should be given to external financing. Essentially, internal loans should be charged interest at the rate of the benchmark for investment funds i.e. the cost of capital is set at the investment benchmark.
3. Management decisions with significant impact on operating cash flows should be evaluated to determine if alternative financing arrangements could be entered into so as to maximise investment income.

11 Investment Manager Performance Review and Evaluation

1. Performance reports generated by the Investment Manager(s) shall be compiled monthly. The investment performance of total portfolios, as well as asset class components, will be measured against the market index asset class benchmarks determined by the University and agreed with the investment manager(s). Consideration shall be given to the extent to which the investment results are consistent with the investment objectives, goals, and guidelines as set forth in this policy. The University intends to evaluate the portfolio(s) over at least a three-year period, but reserves the right to terminate a manager for any reason including the following:
    a. Investment performance that is significantly less than anticipated given the discipline employed and the risk parameters established, or unacceptable justification of poor results.

UNIVERSITY OF WOLLONGONG AUSTRALIA

b. Failure to adhere to any aspect of this statement of investment policy, including communication and reporting requirements.

c. Significant qualitative changes to the investment management organisation.

1. Investment managers shall be reviewed annually regarding performance, personnel, strategy, research capabilities, organisational and business matters, and other qualitative factors that may impact their ability to achieve the desired investment results. In addition the annual performance review of Investment Manager/s shall include:

   a. An annual competitor performance comparison;

   b. An annual review by an independent consultant;

   c. An annual review of the appropriateness of the benchmarks;

   d. An annual report and update on the Investment Managers approach to environmental, social and ethical policy and outcomes.

12 Reporting

1. A monthly investment report will be prepared by the Financial Services Division and submitted to the Finance and Resources Committee.
2. The Investment Report shall contain:
   a. Asset Allocation Information: asset values and asset class percentages versus target allocation and ranges.
   b. Investment Performance: investment returns versus performance benchmarks.
   c. Guideline Compliance: a statement that each portfolio conforms to guidelines or identification where variances occur.
3. To ensure the continued relevance of the guidelines, objectives, financial status and capital markets expectations as established in this policy, the Finance and Resources Committee shall review the investment policy annually.

13 Roles and Responsibilities

The Investment Advisory Committee

1. The purpose of the Investment Advisory Committee is to assist the University in the execution of investment policy. The Investment Advisory Committee shall function in an evaluative and advisory role providing advice to the Vice-Chancellor with respect to all aspects of the investment program, including, but not limited to, investment strategies, policies and procedures; investment performance and external investment advisors. In addition, the Investment Advisory Committee will assist the Finance and Resources Committee in its oversight and monitoring of the

University's investments. Investment Advisory Committee members will have significant experience in managing investment funds and portfolios. The Investment Advisory Committee's responsibilities include:

a. Investment strategy and policies: the Investment Advisory Committee should recommend any changes to investment strategy and policy to the Finance and Resources Committee.

b. Asset allocation: the Investment Advisory Committee should make recommendations to the Finance and Resources Committee with regard to the asset allocation policies and recommend any reallocation of assets to comply with asset allocation targets and ranges.

c. Investment guidelines: the Investment Advisory Committee has responsibility for recommending any changes to investment guidelines for the University's and external managers' portfolios to the Finance and Resources Committee.

d. Selection of outside consultants and investment managers: the Investment Advisory Committee should monitor and recommend outside consultants and investment managers to the Finance and Resources Committee for approval. They should also recommend any changes to investment managers.

e. Review of investment performance and portfolios: the Investment Advisory Committee should conduct performance reviews of the funds and portfolios on a quarterly basis.

2. The membership of the Investment Advisory Committee is specified in Schedule Appendix 5.

3. Appointments to the Investment Advisory Committee will be made by the Vice-Chancellor.

The Finance and Resources Committee

1. The Finance and Resources Committee is responsible for the monitoring of investment activity. The specific responsibilities of the Finance and Resources Committee relating to investment oversight include:

a. Approving investment policies including objectives and guidelines that will direct investment activities;

b. Approving the appointment of external investment professionals specifically including Investment Manager(s);

c. Monitoring the performance of the Investment Manager(s) to assure adherence to policy guidelines and to monitor investment performance; and

d. Monitoring control procedures: For example, in replacing Investment Manager(s) due to fundamental change in investment management process, or failure to comply with provisions of this policy.

2. The membership of the Finance and Resources Committee is determined by University Council.

Investment Managers

1. Each Investment Manager appointed by the University must acknowledge, in writing, its acceptance of responsibility for investing University funds and agree to comply with the requirements of this policy. The terms of appointment of each Investment Manager will allow the Investment Manager discretion to make investment decisions for the assets placed under its jurisdiction, while observing and operating within the constraints of this policy. Specific responsibilities of the Investment Manager(s) include:
   a. Discretionary investment management including decisions to buy or sell individual securities, either directly and/or via specialist investment managers, and to alter asset allocation within the limitations set out in this policy;
   b. Reporting, on a timely basis, monthly investment performance results;
   c. Providing monthly valuation of the investment portfolio and variations from the previous month's closing prices;
   d. Communicating any major changes to economic outlook, investment strategy, or any other factors that may affect investments, or investment objectives; and
   e. Informing the University regarding any qualitative change in the investment management organisation: Examples include changes in portfolio management personnel, ownership structure, investment philosophy, etc.

14 Schedule 1 Appendix 1: Investment Managers

1. Cash or cash equivalent funds - In accordance with Schedule 3 Approved Counterparties and Allocation Constraints.
1. Medium term investment funds – as approved by the Finance and Resources Committee
2. Other longer term investment funds as approved by the Finance and Resources Committee

15 Schedule 1 Appendix 2: Investment Guidelines

1. The following investment guidelines are to be adhered to;
   1.1. Allowable Assets
      a. Cash or cash equivalents (includes daily cash account, term deposits, bank accepted bills and floating rate notes)
      b. Money Market Funds
      c. Foreign Currency
      d. Fixed Income Securities
         i. Notes and Bonds

UNIVERSITY OF WOLLONGONG AUSTRALIA

ii. Preferred Stock

iii. Fixed Government and Agency Securities

iv. Corporate Income Securities of Foreign Governments and Corporations

e. Equity Securities

i. Common Australian Shares including Listed Property Trusts

ii. Convertible Notes and Bonds

iii. Convertible Preferred Shares

iv. International Shares

f. Equity Funds that invest in securities, bonds and cash as allowed in this statement.

g. Early stage venture capital to support the iAccelerate program limited to 1% of the long term investment portfolio up to a maximum of $2million

1.2. Non-allowable Assets

a. Derivative Securities: options and future contracts (with the exception of derivatives used within the long term investment portfolio invested by the Investment Manager or for interest rate hedging, as listed in Schedule 2 Appendix 1 Permitted Instruments)

b. Short Selling/Stock lending

c. Margin Purchases

16 Schedule 1 Appendix 3 - Asset Allocations

1. Cash or cash equivalents: a minimum of $10,000,000 plus any other funds required to meet short-term commitments and commitments for the forward three-year period. (This amount is to be determined by the University's Cash Flow Forecast).
2. Medium term investment – a maximum as approved by the Finance and Resources Committee
3. Other longer term investments: remaining investment funds are to be invested within ranges as per the following Strategic Asset Allocation table:

Asset Class	**Neutral Allocation**	**Minimum Allocation Range**	**Maximum Allocation Range**
Australian Shares	21.5%	11.5%	31.5%
Global Shares Unhedged	14.0%	4.0%	24.0%
Global Shares Hedged	11.5%	1.5%	21.5%

Global Property	3.0%	0%	13.0%
Growth Assets	**50.0%**	**45% - 60%**	
Alternatives	5.0%	0%	15.0%
Short term maturity diversified debt	23.0%	13.0%	33.0%
All maturity diversified debt	20.0%	0%	30.0%
Enhanced Cash	2.0%	0%	22.0%
Defensive Assets	**50.0%**	**40% – 55%**	
Total	**100.0%**	**100%**	

The Investment Manager may vary the asset allocation within a range of the Neutral Allocation in accordance with the ranges specified in the Strategic Asset Allocation table above with these variations to be reported to the Finance and Resources Committee.

It is recognised that from time-to-time allocations to asset classes may move outside of the above-approved ranges due to circumstances beyond the Investment Manager's immediate control. When this occurs, the Investment Manager is to:

a. Advise the University of the circumstances that have created the breach in asset allocation ranges;

b. Restore asset allocations to within the approved ranges at the earliest opportunity.

Schedule 1 Appendix 4 - Ratings Agency Constraints

1. Investments other than medium term investments and long term investments managed by an Investment Manager under this policy must adhere to the following ratings agency constraints (i.e. equal or higher);

   a. Standard & Poor's (S&P) Short Term A-2

   b. Standard & Poor's (S&P) Long Term AA

Schedule 1 Appendix 5 - Investment Advisory Committee Members

Chief Operating Officer Mr Damien Israel (Chair)

Deputy Vice-Chancellor (Global Strategy)	Professor Alex Frino
Director Financial Operations	Mr Matthew Wright
Independent expert external to the University	Mr Michael Cole

UNIVERSITY
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AUSTRALIA

Schedule 2 - Debt Portfolio Interest Rate Hedging Policy

1 Purpose of Policy

1. The purpose of this policy is to document and specify the interest rate risk management policy for the University's debt portfolios.
2. This policy also describes the standards the University will use to assess and implement its risk management activities associated with its exposure to interest rates.
3. This policy specifically applies to all interest rate hedging undertaken by the University, noting that this document only relates to assessing and implementing the University's hedging activities.

2 Objectives of Policy

1. The University does not seek to profit from interest rate volatility.
2. The primary objectives of the University under this policy are to determine appropriate hedging strategies to manage interest rate volatility in an effort to pursue an optimal cost of funds on the University's borrowings.
3. Specifically, the University will:
    a. Proactively manage interest rate volatility in order to seek the optimal cost of capital to the betterment of the University; and
    b. Strive to lower its cost of capital through broadening and diversifying the range of funding alternatives as well as from the mix of floating rate and hedged debt.
4. The factors that can impact financing cash flow are:
    a. Payments for capital expenditures
    b. Proceeds of Borrowings
    c. Repayment of Borrowings
    d. Positive cash flows from operations
    e. Maturity of short and medium term investments and liquidity placements
5. The University will use a strategic hedging approach to the management of its interest rate exposures. This will involve a dynamic process of ongoing review of hedging levels, risk exposure, and cover in place for borrowings; this process may result in the level of hedged exposures being varied from time to time based on the level of risk that Financial Services believes the University may reasonably assume and the cost of financing the University can maintain as part of its broader business objectives.
6. Speculative transactions, defined as transactions for which no underlying exposure exists, are prohibited. The University will not enter into hedging transactions that establish a hedge position that does not generally match the amount and nature of the University's

reasonably estimated debt exposures.

3 Delegation of Authority

1. Delegations are as specified in Section 8(10) of the Delegations of Authority Policy.

4 Risk Management Approach – Interest Rate Risk

1. The specific risk exposures to be recognised will be:
    a. Interest rate risk, primarily arising from interest expense incurred on floating rate debt facilities between the University and the debt counterparties.
    b. Using the debt profile forecast by Financial Services Division as a basis, the University will implement a hedging strategy over an appropriate time horizon.

5 Hedging Terms

1. When undertaking a hedge, the intention will be to set hedge pricing (including any premium) at a level that reflects a desired maximum cost of funds.
2. The choice of utilising either options-based products or swaps will be dependent on the existing market conditions, historical observations, and compliance with Schedule 2 Appendix 1 Permitted Debt Hedging Instruments of this policy.
3. The recommended hedging instrument will be proposed by Financial Services Division on a case by case basis taking into account factors including the following:
    a. The extent to which the hedging arrangement being contemplated meets the objectives, Hedging Terms and other requirements of this Policy;
    b. The availability of sufficient credit lines to enable use of committed or deferred premium instruments;
    c. The view of management and advice from its advisors on the prospects for interest rate movements;
    d. The magnitude of the premium associated with entering into options-based transactions, which directly impacts the Income Statement;
    e. The resulting cost of funds achieved taking into consideration the premium.

6 Reporting and Measurement for Management

Budgeting

1. Financial Services Division will undertake an annual budget exercise and through this process will assume a series of benchmarks to assist management to implement strategic decisions.

Reporting

2. Financial Services Division will undertake a monthly review and reporting of hedging

UNIVERSITY
OF WOLLONGONG
AUSTRALIA

performance, exposure amounts (hedged and unhedged), open positions on hedge, summary of hedges expiring over the month and exceptions disclosure.

3. The DFO will review and sign-off on the report.
4. This report will be included in the monthly financial report to the COO and periodic reports to the Finance and Resources Committee.

Accounting Treatment

5. Any approved hedge transaction needs to be correctly accounted for and the impact on financial statements understood.

6. Each financial instrument will be reviewed and an assessment will be made on the required accounting treatment and whether hedge accounting will be applied.
7. If hedge accounting is not applied, the financial instrument will be measured at fair value.
8. If hedge accounting is applied, then the University will adhere to the following guidelines:
    a. Documentation will be completed to designate each qualifying financial instrument;
    b. Measurement of the financial instrument will be conducted on a weeklybasis through mark-to-market valuations;
    c. Effectiveness testing will be undertaken at inception and on a regular basis as nominated in the hedge documentation; and
    d. Appropriate journal entries will be posted as required

7 Permitted Debt Hedging Instruments

1. Interest rate hedge transactions must be implemented with counterparties in accordance with the Treasury Management Policy Schedule 3 Approved Counterparties & Allocation Constraints.
2. The following is a list of permitted debt hedging instruments:
    a. Interest rate swaps
    b. Interest rate caps
    c. Swaptions

Schedule 3 - Approved Counterparties and Allocation Constraints

1. For bank accounts and bank deposits, including term deposits and similar short to medium term deposits, only Australian Prudential Regulation Authority (APRA) regulated Authorised Deposit-taking Institutions (ADIs) may be used, subject to the following constraints:
2. The University’s daily operating bank account must be held with one of the major Australian banks (i.e. ANZ, CBA, NAB or Westpac).

3. Other bank deposits (excluding the daily operating bank account, medium term investments and long term investments) are to be held as per the following allocations:
    a. Up to 75% of deposits can be placed with any one of the individual major Australian banks (i.e. ANZ, CBA, NAB or Westpac), and
    b. Up to 25% can be placed with any other ADI.
4. For the Medium Term Investment Portfolio:
    a. A combination of high rated government and developed market bonds
    b. A proportion of bank bills to best advantage
    c. No greater than 30% of the portfolio is to be invested in emerging markets or credit rated below S&P A – or alternate asset classes (hedge funds)
5. For other monetary investments, deposits must fall within the guidelines imposed by the University's Investment Policy found in Schedule 1 Appendix 2 of this policy.
6. Foreign currency and interest rate hedging transactions must be transacted with one of the major Australian banks (i.e. ANZ, CBA, NAB or Westpac).

Schedule 4 - Foreign Currency Transaction Requirements

1. Any foreign currency commitment must be reported to the Financial Services Division for assessment and endorsement.
2. Foreign currency obligations of greater than AUD$50,000 must be advised to the DFO within two business days of the exposure arising.
3. The DFO or his delegate, is required to manage net foreign exchange exposures greater than AUD$300,000, within 5 days of the exposure arising.
4. Foreign currency transactions must be implemented with counterparties in accordance with Schedule 3 Approved Counterparties & Allocation Constraints.

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Schedule 5 - Treasury Policy Framework

<table>
<tr><td colspan="3">Treasury Management Policy
Provides an overarching framework for identifying and managing risks associated with treasury functions.</td></tr>
<tr>
<td>Schedule 1: Investment Policy

Provides guidelines for asset allocation, funds management, portfolio management, reports on investment performance and market benchmarks to assist in tracking and adjusting investment performance targets.

Appendix 1 – Investment Managers (for long, medium and short terms investments)

Appendix 2 – Investment Guidelines (includes permissible instruments)

Appendix 3 – Asset Allocations (for cash and long term investments)

Appendix 4 – Ratings Agency Constraints (contributes to managing credit risk)

Appendix 5 – Investment Advisory Committee members</td>
<td>Schedule 2: Debt Portfolio Interest Rate Hedging Policy

Specifies interest rate risks management policy for debt portfolios

Appendix 1 – Permitted Hedging Instruments (prescribes instruments)</td>
<td>Schedule 4: Foreign Currency Transaction Requirements</td>
</tr>
<tr><td colspan="3">Schedule 3 – Approved Counterparties and Allocation Constraints (prescribes permissible institutions)</td></tr>
<tr><td colspan="3">Key supporting documents:</td></tr>
<tr><td colspan="3">Delegations of Authority Policy
University of Wollongong Act Risk
Management Policy Treasury
Procedures and Controls</td></tr>
</table>

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