

# Treasury Policy

(Updated June 2024)

## 1.1 Purpose

The purpose of this policy is to establish guidelines and controls to ensure the Company's funds are managed appropriately.

## 1.2 Policy Statement

Echelon (the company) faces a wide range of financial and commercial risks. This policy outlines those risks which are to be managed by the treasury function, within the Finance team, and how they are to be managed. This policy has been prepared based on the following philosophies:

- Cash is a corporate asset to be used for maximum value across the company and is to be managed by the treasury function, within the Finance team.
- Speculative transactions are not permitted.
- Treasury operates as a service centre, not a profit centre.
- The treasury function will centrally manage financial funding.

The operating activities of the treasury function will include the following:

- Ensuring there is sufficient liquidity for day to day requirements as well as unexpected business disruptions.
- Central management of the group's liquidity including surplus cash and short-term facilities.
- Central management of interest rates associated with any borrowing and investment of surplus funds.
- Central management of foreign currency funding associated with transactional cash flows.
- Management of credit and operational risks arising from treasury activities.
- Management of bank relationships and the credit process.

## 1.3 Scope

The treasury function is responsible for the management of, and making recommendations to the Board in respect of the following risks:

- Liquidity and funding;
- Interest rates & deposit maturity;
- Counterparty credit risk;
- Operational risk; and
- Foreign currency mix recommendations.

## 1.4 Recognition of Liquidity Requirements and Risk

Liquidity requirements and risk management is associated with ensuring that there are sufficient funds available to meet the company's financial commitments in a timely manner. It is also associated with planning for unforeseen opportunities and events which are advantageous and those which may curtail cash flows and cause pressure on liquidity. The possible causes of a liquidity crisis include:

- Unplanned reduction in revenue;
- Fraudulent activities;
- Business disruption;
- Unplanned capital expenditure; and
- Sustained reduction in profitability.

## 1.5 Treasury Operating Objectives

The objectives relating to the management of financial risks are as follows:

### Liquidity and Funding

- Ensure that at all times the company has access to sufficient cash resources to meet its financial obligations as they fall due, including taxes, and provide funds for capital expenditure and investment opportunities as they arise.
- Ensure that the company has sufficient excess liquidity to meet its non-discretionary financial obligations in the event of unexpected business disruption.
- Ensure compliance with any borrowing facilities covenants and undertakings.

### Interest Rate

- Ensure compliance with interest cover covenants, where applicable, under the company's borrowing facilities.
- Manage the net interest rate exposure to assist in protecting the company's solvency.

### Counterparty Credit Risk

The purpose of establishing acceptable counterparties is to ensure that the company deals with creditworthy counterparties and that term risk is addressed. Credit risk is defined as the risk of sustaining a loss as a result of the default by a counterparty including banks that has:

- Issued, accepted or endorsed a security in which the company has invested;
- Accepted a deposit from the company; or
- Entered into a hedging transaction with the company related to the management of financial risks.

Authorised counterparties and counterparty term limits are to be established within the parameters described in this section. The current list of authorised counterparties is contained in Appendix A. The company can commit to investment and derivative transactions with approved creditworthy counterparties and in accordance with approved terms (see Appendix A).

### Operational Risks

- Ensure that the treasury function is operating in a controlled manner.

- Dual authorisation in accordance with delegation authority to ensure sufficient control over payments and transfers.

## **1.6 Boundaries/Guiding Principles**

- The company's reporting currency is NZD. Functional currency for the parent entity is NZD.
- The functional currency of each company with the company Group is determined in line with applicable accounting standards and includes NZD, USD and AUD.
- The company will retain sufficient cash in currencies to cover forecasted costs as appropriate.
- The company will hold a minimum of NZD 500,000 in its call account.
- Subject to Board approval, funds in term deposit may be invested for a period longer than one month.
- This policy does not apply when cash falls below \$20 million (net of cash held in the correct currency for a committed acquisition),
- Below \$20 million funds are to be held in current account or short-term deposit (max 20 working days or a calendar month).

## **1.7 Record-keeping**

A treasury register will be maintained and updated when treasury transaction occurs, and a treasury summary is to be provided at every scheduled Board meeting.

## **1.8 Who is responsible for the policy?**

The Board of directors has overall responsibility for ensuring this policy is appropriate and that all those under our control comply with it.

The Chief Financial Officer has primary and day-to-day responsibility for implementing this policy, and for monitoring its use and effectiveness and dealing with any queries on its interpretation.

Management at all levels are responsible for ensuring those reporting to them are made aware of and understand this policy and are given adequate and regular training on it.

## **1.9 Monitoring and review**

The Chief Financial Officer will monitor the effectiveness and review the implementation of this policy, regularly considering its suitability, and adequacy and effectiveness. Any improvements identified will be made as soon as possible. Internal control systems and procedures will be subject to regular audits to provide assurance that they are effective.

## Appendix A: Approved Counterparties & credit exposure limits

Limits for counterparties will be set by reference to long-term credit rating for each counterparty.

Approved Counterparties – New Zealand Registered Banks	Rating
ANZ Bank New Zealand Limited	AA-
ASB Bank Limited	AA-
Bank of New Zealand	AA-
Commonwealth Bank of Australia (branch)	AA-
Westpac New Zealand Limited	AA-
Citibank, N.A. (branch)	A+

Category	Credit Rating Criteria	Policy Limit
New Zealand Government	A-2	No limit
Registered Banks	A-2	Lesser of 40% of portfolio or NZD 50 million
Corporates & Financial Institutions	BBB	Lesser of 15% of portfolio or NZD 15 million
Special Situations	Unrated	Board approved