



# Treasury Policy

## Purpose

### 1. Scope

This policy outlines the principles for the responsible and effective management of our financing and investing activities.

### 2. Principles

We adopt the following principles:

#### 2.1. Compliance

All our treasury activities:

- comply with relevant legislation, Treasurer's Instructions and the Government Business Enterprises Guidelines
- are conducted in accordance with our Counterparty Agreements
- are entered into by an authorised officers specified in Schedule 1 to this policy
- are adequately documented for compliance purposes set out in our [Treasury Procedure](#)
- must meet the Conditions for Trade set out in our [Treasury Procedure](#)
- are audited for operational compliance on an annual basis by our Audit Committee follow a rigorous non-compliance reporting process under our [Compliance Incident and Breach Management Procedure](#).

#### 2.2. Framework

The Policy Owner is responsible for establishing and maintaining a Treasury function at Hydro Tasmania that ensures:

- the appropriate segregation of duties between trading, risk management, and settlement functions which are adequately resourced with competent staff
- a fit-for-purpose treasury management system to record and value all treasury trades
- adequate documentation for all treasury activities, risk measurement and reporting by the respective functions
- adequate controls for our treasury activities in the [Treasury Procedure](#) are reviewed, monitored, and reported on an annual basis to our Financial Management Committee and our Risk Management Committee.

#### 2.3. Treasury risks

We are responsible for managing the following key risks relating to our treasury activities:

- **liquidity risk** – the risk we are not able to meet our financial obligations in a timely manner
- **refinancing risk** – the risk we are unable to replace a maturing debt obligation with a new debt obligation
- **interest rate risk** – the risk to our profitability as a result of interest rate movements

- **currency risk** – the risk to our profitability as a result of movements in exchange rates
- **operational risk** – the risk that we will suffer financial loss associated with the execution of treasury activities
- **legal/regulatory risk** – the risk of adverse changes in laws and regulations identified and managed through our [Risk Management Policy](#) and [Integrated Business Risk Management Procedures](#).

## 2.4. Operating principles – debt, investment, and cash management

We:

- have sufficient liquidity to meet our financial obligations as and when they fall due
- ensure the TasCorp borrowing limits remains suitable to our financing and liquidity requirements
- minimise financing costs, while ensuring acceptable levels of interest rate and refinancing risk through the following debt portfolio limits:
  - no more than 40% of outstanding borrowings face value will mature within any two consecutive financial years<sup>1</sup>
  - the portfolio Weighted Average Term to Repricing (WATR) will be no less than three years
- maximise investment returns while maintaining our liquidity requirements.

## 2.5. Operating principles – foreign currency

We:

- restrict foreign currency exposures to currencies where markets are transparent and liquid
- identify and manage foreign currency exposures to minimise risk to financial outcomes for projects and engagements.

## 3. Definitions

“Conditions for Trade” has the meaning set out in the [Treasury Procedure](#), which include controls on the approved instruments/currencies, authorised officers, approved counterparties and exposure limits of the trade and the portfolio.

“Counterparty Agreements” has the meaning set out in the [Treasury Procedure](#), which includes any master agreements, covenants, and undertakings approved by the Financial Management Committee that are in place between Hydro Tasmania and the relevant counterparty.

“Government Business Enterprises Act” means the [Government Business Enterprises Act \(Tas\) 1995](#) that governs the commercial operation and accountability of Hydro Tasmania as a Government Business Enterprise and requires the payment of financial returns by Hydro Tasmania to the State.

“Treasurer’s Instructions and GBE Guidelines” means Treasurer’s Instructions [GBE 07-44-01 Investments](#), [GBE 11-78-06 Guarantee Fees](#), [the Guidelines for Tasmanian Government Businesses: Borrowing Arrangements](#), and any new Instructions or Guidelines applicable to Hydro Tasmania under the Government Business Enterprises Act.

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<sup>1</sup> Excluding overnight borrowings and working capital.

"Transaction" for the purposes of limits outlined in Schedule 1 means a payment made to meet an obligation, e.g. the payment of an invoice. There may be multiple transactions to a single counterparty in a day if they relate to distinct obligations.

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<b>Approved by:</b>	<b>Board</b>
<b>Accountability</b>	<b>Executive GM Finance</b>
<b>Policy Owner:</b>	<b>Head of Commercial Risk</b>

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*All Hydro Tasmania, Entura, Momentum Energy and AETV employees and contractors must comply with all relevant laws and regulations, policies, procedures and supporting resources.*



## Schedule 1: Transaction Limits

Category	Level	Authorised Officers	Approved Limit	Maximum Term	Additional Information
<b>Investment of Surplus Funds</b>	One	CEO	\$300m	15 years	Per transaction
	Two	EGM Finance	\$150m \$50m	1 year 15 years	
	Three	Head of Corporate Finance	\$100m \$35m	1 year 10 years	
	Four	Treasury Trader	\$50m \$20m	1 year 5 years	
<b>New and Refinanced Borrowings</b>	One	CEO	\$300m	30 years	Per transaction
	Two	EGM Finance	\$150m	30 years	
	Three	Head of Corporate Finance	\$100m	15 years	
	Four	Treasury Trader	\$50m	15 years	
<b>Foreign Exchange</b>	One/ Two	CEO/ EGM Finance	\$50m	Per transaction	
	Three	Head of Corporate Finance	\$25m		
	Four	Treasury Trader	\$15m		
	Five	Settlements Team Member	\$500k	Spot	

The above limits are the maximums that can be applied, individuals in the Authorised Officer roles listed may have lower limits applied on the basis of experience and performance at the discretion of the Head of Commercial Risk.

## Schedule 2: Balance Limits

Category	Level	Authorised Officers	Approved Limit	Maximum Term	Additional Information
<b>Overnight Borrowings / Investments<sup>1</sup></b>	One/ Two	CEO/ EGM Finance	\$50m \$75m \$100m	none 28 days 7 days	
	Three	Head of Corporate Finance	\$50m \$75m	none 28 days	
	Four	Treasury Trader	\$50m	none	
<b>Bank Overdraft Facility</b>	One	CEO	\$1m		Requires Treasurer's approval to vary
<b>Tascorp Committed Standby Facility</b>	One	EGM Finance	\$100m	3 years	Funds available or drawn

<sup>1</sup> If circumstances require overnight borrowings or investments in excess of the CEO's limit, the Financial Management Committee will be convened and a short term strategy approved with the Board being notified at the following meeting. Overnight borrowings or investments in excess of these limits (up to the level two maximum limit) is permitted without prior approval but requires a management strategy recommended to the appropriate delegated party by end of next business day.