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TIAKI WAI
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Treasury Policy

Document control

Version	Version date	Changes	SME	Approver
3	11/06/2026	Existing policy in QPulse will be superseded with the Delegations to the Chief Executive that was approved by the Board on 11 June 2026.		Board
2	23/05/2023	Active		Head of Finance
1	05/07/2024	Reviewed the Treasury Policy and the date can be rolled over to 2025.		Head of Finance

Review information

Latest review date	11/06/2026
Next review date	11/06/2027
Review cycle	Annually
Owner	Head of Finance

Tiaki Wai disclaimer

This material is provided on a good faith basis to advance the principal objectives of Tiaki Wai. Every effort has been made to ensure that the information contained is accurate as at the date of preparation. To the greatest extent allowed by law, Tiaki Wai is not responsible for any loss that arises from the use of this material by any party. Tiaki Wai makes no guarantees regarding the content or accuracy of information contained herein.

Contents

1 Introduction, Purpose and Application

1.1 Introduction

This Treasury Policy ("Policy") establishes the framework within which Tiaki Wai Limited ("Tiaki Wai" or the "Company") identifies, measures, manages and reports financial and treasury-related risks.

Treasury activities are an integral part of Tiaki Wai as a water organisation under the Local Government (Water Services) Act 2025 ("LGWSA"), supporting service delivery, infrastructure investment and long-term financial sustainability.

1.2 Purpose

The purpose of this Policy is to:

- set out principles, objectives and limits for the management of:
  - liquidity and financing
  - working capital and cash management
  - debt financing and refinancing
  - treasury investments and liquidity portfolio
  - interest rate risk
  - foreign exchange risk
  - counterparty credit risk
  - operational risk related to treasury activities
- set out the Company's policy on giving security for borrowing (as required by clause 6(2)(a) of Schedule 3 of LGWSA)
- define delegated authorities, responsibilities and governance arrangements for treasury activities
- ensure compliance with applicable legislation, lender covenants and other contractual obligations
- provide assurance to the Board and shareholders that treasury risks are managed prudently and consistently.

1.3 Application

This Policy applies to all treasury-related activities undertaken by or on behalf of Tiaki Wai, including:

- debt financing and refinancing
- liquidity and cash management
- interest rate and foreign exchange risk management
- investment of surplus cash/liquidity portfolio

- relationships with banks, the Local Government Funding Agency (LGFA), capital markets investors and the security trustee.

It does **not** apply to non-financial business risks (e.g. operational, health and safety, environmental), except to the extent they intersect with treasury and financial market exposures.

1.3.1 Transition period

Tiaki Wai is a newly formed water organisation with a significant debt transfer and is operating within an evolving regulatory environment. Accordingly, **subject to Board (and where required, lender) approval**, Tiaki Wai may apply a **transition period of up to 12 months (or such other period as agreed)** from the Policy approval date to achieve full compliance with the risk parameters and limits set out in this Policy. **This may also include updates to the Policy** recognising new, emerging or changing risk. During the transition period, management will implement an agreed transition plan and will report progress and any exceptions to the Board in accordance with the treasury reporting requirements.

1.4 Review

Annual desktop review: The Policy must be reviewed in a desktop fashion at least annually to confirm it remains fit for purpose and aligned with legislation, risk appetite and financial strategy.

Fundamental review: A comprehensive review will be completed at least every three years or earlier if:

- material changes occur in legislation, regulation or LGFA requirements
- there are significant changes to the capital structure of Tiaki Wai or risk profile
- the Board directs an earlier review.

As part of any review, the Board will be provided with a review report and approve or reject proposed Policy amendments.

2 Risk Philosophy and Scope

2.1 Risk philosophy

Tiaki Wai does **not** seek to profit from treasury activities. Treasury's purpose is to:

- support the provision of water services and infrastructure investments
- protect and manage underlying business cash flows
- maintain financial resilience and financial standing as having low to moderate risk of default.

Any activity that does not relate to a documented underlying exposure is deemed **speculative** and is strictly prohibited.

2.1.1 Scope of treasury risk management

This Policy covers the following financial risks arising from treasury activities:

- financing risk
- liquidity risk
- interest rate risk
- foreign exchange risk
- counterparty credit risk
- operational risk (treasury-specific).

The Policy defines:

- approved instruments
- approved counterparties
- risk limits and risk control parameters
- delegated authorities and processes.

3 Statutory and Treasury Objectives

3.1 Statutory objectives

As a water organisation, Tiaki Wai is required to comply with the following legislation (where applicable to Tiaki Wai as a jointly owned provider). As part of its annual review process, management will ensure alignment with the:

- Local Government (Water Services) Act 2025 (LGWSA), particularly Part 2 – Financial principles for water service providers:
  - apply all revenue and funding it receives for the provision of water services to those services, including maintenance, improvements, infrastructure renewal, servicing debt related to those services and providing for growth
  - ensure that the revenue and funding it applies to providing water services is sufficient to sustain its long-term investment in those services while meeting all regulatory requirements
  - ensure revenue and funding (including from charges), expenses and dividends (if any) are transparent to the public
  - demonstrate compliance with financial principles:
    - in its financial operations and financial policies
    - in its planning and reporting documents.
- Local Government Act 2002 (particularly Part 5 – Council-controlled organisations and council organisations, except as modified by the LGWSA)
- Commerce Act 1986
- relevant Commerce Commission and Water Services Authority -Taumata Arowai regulations and determinations (as they evolve)
- any other applicable statutes, regulations, directives and guidance.

3.2 Treasury functional objectives

The specific objectives of the treasury function are to:

- support Tiaki Wai to achieve the expectations as set out in its Statement of Expectations
- ensure sufficient and reliable cash flow, liquidity and financing to execute the Tiaki Wai long-term financial water services strategy and capital programme
- meet all statutory and contractual financial obligations as they fall due
- optimise the cost and structure of financing within Policy risk parameters
- operate in a manner consistent with an investment-grade financial profile (defined as long-term local currency credit rating of BBB or better, actual or shadow)
- ensure compliance with lender covenants, financial metrics and rating expectations
- proactively manage interest rate, foreign exchange and counterparty credit risks within approved limits

- minimise operational risk through robust internal controls, systems and competencies
- conduct treasury activities in a prudent, transparent and well-controlled manner related to underlying financing or risk management requirements
- project a professional, well-controlled financial management profile to stakeholders, lenders and investors
- provide timely, accurate and meaningful reporting on exposures, risks, performance and compliance to the Board and shareholders.

4 Risk Appetite Framework

4.1 Risk appetite statement by risk type and impact

Risk Type	Definition / risk of loss arising from…	Risk impact	Risk appetite
Financing risk	Inability to raise new debt at an acceptable price or tenor; inability to finance capital expenditure.	High	Tiaki Wai has limited appetite for these risks and will minimise or avoid them where practicable.
Refinancing risk	Inability to refinance existing debt at a critical time or at an acceptable cost.	High	Tiaki Wai has limited appetite for these risks and will minimise or avoid them where practicable.
Interest rate risk	Variability in interest expense due to changes in interest rates.	High	Tiaki Wai has limited appetite for these risks and will minimise or avoid them where practicable.
Liquidity risk	Inability to meet obligations or liquidate assets without material price impact in a timely manner.	High	Tiaki Wai has limited appetite for these risks and will minimise or avoid them where practicable.
Foreign exchange risk	Changes in the NZD value of foreign currency transactions/exposures.	Medium	Tiaki Wai is prepared to accept these risks as they are central to achieving key financial and service objectives. Managing them is a core competency.
Counterparty credit risk	Default/non-performance of a bank or financial counterparty.	Medium	Tiaki Wai is prepared to accept these risks as they are central to achieving key financial and service objectives. Managing them is a core competency
Operational risk (treasury)	Losses or errors due to inadequate processes, people, systems or external events.	Medium	Tiaki Wai is prepared to accept these risks as they are central to achieving key financial and service objectives. Managing them is a core competency

4.2 Link to limits and controls

The qualitative risk appetite above is implemented through:

- specific **limits and parameters** in Sections 6–13
- minimum liquidity coverage and refinancing spread requirements
- approved instruments and counterparties
- segregation of duties and operational controls.

Where risk appetites or limits are breached or forecast to be breached, the escalation and remediation processes in Sections 6–13 must be followed.

5 Governance, Roles and Delegated Authorities

5.1 Governance principles

Treasury governance is based on:

- clear roles and responsibilities
- appropriate segregation of duties
- documented delegations and authorities
- transparent and regular reporting
- active Board oversight.

5.2 Roles and responsibilities

5.2.1 Board of Directors

- Approves the Treasury Policy and all material amendments.
- Approves the annual financial budget, borrowing programme and financing strategy.
- Approves security and charging arrangements (including the security trustee).
- Monitors treasury performance, risk and compliance (at least quarterly).
- Approves any material waiver or remediation plan for covenant or policy breaches.

5.2.2 Treasury Management Committee

- Consists of the Chief Financial Officer, Head of Treasury and external treasury advisor(s) on an ex-officio basis as required.
- Additional members can be added to the Committee on an ex-officio basis as required by the Chief Financial Officer.
- The Committee will consider and deliver on financial strategies including:
  - monitoring all treasury positions monthly (or as required)
  - formulating appropriate treasury strategies within Treasury Policy risk limits
  - reporting to the appropriate committee or Board as required.

5.2.3 Chief Executive (CE)

- Ultimately responsible to the Board for treasury and treasury risk management.
- Approves authorised signatories for bank accounts and treasury transactions within delegated limits.
- Approves addition or removal of treasury counterparties (subject to Board approved list and criteria).
- Approves opening and closing of bank accounts (joint with Chief Financial Officer).

5.2.4 Chief Financial Officer (CFO)

- Responsible to the CE for overall treasury and treasury risk management.
- Ensures adequate and documented financial and treasury controls are in place.
- Manages the Tiaki Wai long-term financial position in line with Board requirements.
- Receives advice on Policy breaches and significant treasury events; escalates material issues to CE/Board.
- Approves the scope of any internal audit of treasury (after consultation with Audit & Risk Committee).
- Approves opening and closing of bank accounts (joint with CE).
- Provides oversight and approval of core treasury strategies, transactions and recommendations.
- Executes transactions in accordance to Policy, and authorised dealer authority.

5.2.5 Head of Treasury

- Manages day-to-day treasury operations and implements this Policy in a prudent manner.
- Executes transactions in accordance with Policy and authorised dealer authority.
- Ensures compliance with Treasury Policy.
- Ensures structure, staffing, responsibilities and training are adequate for treasury's mandate.
- Maintains professional relationships with LGFA, banks, investors, insurers and financial intermediaries.
- Prepares treasury reports and analysis for the CFO, CE and Board.

5.2.6 Treasury operations/back office (outsourced to Deloitte)

- Confirms and settles transactions in accordance with documented procedures.
- Maintains accurate records of deals, limits, exposures and valuations.
- Performs reconciliations and exception reporting.
- Is operationally separate from deal execution/front office where practicable.

5.3 Delegated authorities

Delegated authorities for **borrowing, investments, derivatives and bank account operations** (but not opening of new accounts) are approved by the Board and documented in a separate Delegations of Authority (DoA) register.

The DoA register must:

- specify monetary limits per role and per instrument type
- define who can **approve**, **execute** and **settle** transactions.

No person may approve and execute or execute and settle the same transaction.

5.4 Breach and exception management

All actual or forecast breaches of:

- Policy limits
- lender covenants
- regulatory obligations
  must be notified promptly to the CFO and CE.

Where a breach is expected to self-correct within 90 days and is immaterial, the CFO may manage under delegated authority and report in the next quarterly Board report.

Where a breach is material or not expected to self-correct:

- a remediation plan must be prepared (including options, risks and timing)
- Board approval (or ratification) is required.

6 Financing Risk Management

6.1 Definition

Financing risk is the risk that Tiaki Wai is unable to raise or refinance debt at an acceptable cost, tenor or on acceptable terms to fund operations and capital expenditure.

6.2 Objective and scope

The objective of financing risk management is to:

- ensure the capital structure and financing profile are sustainable and resilient
- avoid excessive concentration of debt maturities
- maintain sufficient flexibility to respond to changes in investment needs, regulatory settings and financial markets.

This Policy applies to all external borrowing, including:

- LGFA bonds, loans and facilities
- bank facilities and overdrafts
- debt capital market instruments (e.g. Medium Term Notes (MTN), Commercial Paper (CP)).

6.3 Financing strategy and financing sources

Financing sources may include:

- the LGFA
- registered New Zealand banks
- domestic/offshore wholesale debt capital markets, including wholesale private placements.

Preference is generally given to:

- LGFA borrowing (to reduce execution risk and align with local government sector practice)
- diversified sources of term financing where appropriate and cost effective.

6.4 Refinancing risk and maturity profile limits

Debt refinancing obligations must be **spread** to avoid excessive concentration in any 12-month period.

No more than **25%** of total external debt may mature within any rolling 12-month period.

As a long-term infrastructure asset holder, Tiaki Wai targets a weighted average debt maturity term of 4-6 years (excluding working capital facilities), subject to maturity terms it can access.

Prefunded refinancing remains in the maturity profile until the original maturity date.

A profile outside these limits that will self-correct within 90 days is not treated as a breach; otherwise Board approval is required.

6.5 Prefinancing

Tiaki Wai may **prefinance** expected debt requirements (including refinancing) up to **18 months** in advance, where:

- it is economic to do so
- liquidity and counterparty limits are respected.

Prefunded amounts are excluded from core debt for interest-rate purposes (Section 9) but included in refinancing risk analysis until original maturity.

6.6 Financial covenants

Tiaki Wai at all times must comply with LGFA and other lender financial covenants, including (but not limited to):

Year	LGFA interim covenant	
	Funds From Operations (FFO) / Net Debt	FFO / Cash Interest Coverage Ratio
FY26/27	No covenant	≥ 1.5x
FY27/28	≥ 1.0%	≥1.5x
FY28/29	≥ 3.5%	≥1.5x
FY29/30	≥ 4.5%	≥1.5x
FY30/31	≥ 5.5%	≥1.5x
FY31/32	≥ 6.0%	≥1.5x
FY32/33	≥ 7.0%	≥1.5x

Year	LGFA interim covenant	
FY33/34	≥ 8.0%	≥1.5x
FY34/35	≥ 8.0%	≥1.5x
FY35/36	≥ 8.0%	≥1.5x

Definitions are set out in **Appendix A** and must be consistent with lender documentation and the Tiaki Wai Statement of Intent.

Covenants must be monitored and reported at least **quarterly** to the Board.

Any actual or projected breach must be reported immediately, with an options and remediation plan.

6.7 Uncalled capital support

Tiaki Wai has arranged for additional uncalled capital support to be contributed by its shareholding councils in certain situations of financial distress (including an actual or forecast breach of a Financial Undertaking). The terms of such uncalled capital and the conditions applicable to the ability for Tiaki Wai to make calls on its shareholding councils are **governed by a subscription deed** entered into between Tiaki Wai and the councils.

6.8 Controls over shareholder guarantee exposure

The shareholding councils of Tiaki Wai have granted a joint and several guarantee in favour of LGFA in respect of all indebtedness of Tiaki Wai with LGFA from time to time (**LGFA Guarantee**). The shareholding councils have also granted a joint and several guarantee under a **global guarantee deed poll** (**Global Guarantee** and, together with the **LGFA Guarantee,** the **Council Guarantees**), the benefit of which may be extended, with the consent of each of the guaranteeing councils, to certain other financiers, derivatives providers and other providers of financial accommodation to Tiaki Wai, from time to time.

The LGFA Guarantee and (where agreed with the guaranteeing councils) the Global Guarantee provides for the guaranteeing councils to guarantee all indebtedness of Tiaki Wai incurred with those creditors of Tiaki Wai that benefit from the relevant guarantee.

The Council Guarantees create potential financial exposure for the shareholding councils of Tiaki Wai and must therefore be managed within clearly defined controls. In recognition of this, Tiaki Wai will only incur financial indebtedness to its creditors (whether pursuant to LGFA securities, bank facilities, derivatives lines or otherwise) in accordance with any controls agreed upon with the guaranteeing councils from time to time.

Tiaki Wai may not enter into any arrangement that would cause the principal amounts secured by a Council Guarantee (and, by extension, the resulting exposure of the guaranteeing councils) to exceed any amount approved by the guaranteeing councils unless the prior consent of the guaranteeing councils has been obtained.

6.9 Security arrangements

Tiaki Wai may grant security over its water services charges or the revenue from water services charges, as anticipated by section 253 of LGWSA in favour of a security trustee (to hold for the benefit of LGFA and other financial creditors).

Any such security provided for borrowings and risk management facilities must first be approved by the Board.

Where the Tiaki Wai shareholding councils have provided a guarantee of the Tiaki Wai debt, Tiaki Wai may request that its shareholding councils issue security stock under their respective debenture trust deeds to the beneficiary of the relevant guarantee. In relation to a guarantee provided by shareholding councils in respect of:

- any LGFA debt, the councils will be required to issue security stock in favour of LGFA in respect of all guaranteed LGFA debt; and
- any debt incurred by Tiaki Wai with any other creditor (**Non-LGFA Debt**), the current intention is not to request that councils issue security stock in support of their guarantee of Non-LGFA Debt. However, Tiaki Wai may request that its shareholding councils issue security stock in support of Non-LGFA Debt on a case-by-case basis with the prior approval of all shareholding councils.

Any changes to security arrangements, or the security trustee, require Board approval.

6.10 Approved financing instruments

Tiaki Wai may employ the following financing instruments:

- bank overdraft facilities
- committed bank financing facilities
- committed LGFA financing facilities (including stand-by and working capital facilities)
- LGFA bonds, notes and loans (fixed and floating)
- LGFA commercial paper
- debt capital markets instruments, including MTN and CP
- wholesale market instruments, including private placement MTN (domestic/offshore).

7 Liquidity Risk Management

7.1 Definition

Liquidity risk is the risk that Tiaki Wai cannot meet its financial obligations as they fall due, or only by incurring unacceptably high cost or loss (e.g. forced asset sales).

7.2 Objective and scope

The objective of liquidity risk management is to:

- ensure Tiaki Wai holds or has access to sufficient liquid assets and committed facilities to meet short- and long-term obligations
- maintain an appropriate buffer to absorb shocks, delays or unexpected cash flow variations.

7.3 Liquidity coverage and policy limits

Capital expenditure liquidity requirements

Capital expenditure liquidity requirements are primarily managed through LGFA borrowing, reducing execution risk and providing greater financing certainty.

Capital expenditure liquidity risk shall be monitored through a drawdown plan for Board approved budgeted expenditure, including refinancing of existing capital expenditure-related debt.

Capital expenditure requirements over a rolling three-month horizon may be excluded from the liquidity coverage measure where they are expected to be funded through confirmed or available LGFA borrowing. Where capital expenditure is not financed through LGFA, or LGFA financing is not confirmed or available, the relevant exposure shall be included in the liquidity coverage measure.

Discretion to apply risk adjustments to capital expenditure forecasts reside with the Head of Treasury.

Operational expenditure liquidity requirements and non-LGFA financed expenditure

Operational expenditure liquidity requirements relate to day-to-day liquidity risk and the availability of cash to meet immediate commitments as they fall due.

Operational expenditure liquidity risk shall be managed through cash flow forecasting, monitoring of cash balances and access to approved liquidity facilities.

For policy compliance, Tiaki Wai must:

- maintain liquidity coverage (liquid assets + committed and available facilities + forecast FFO) of at least 105% of forecast net operational expenditure for the next three months
- hold sufficient committed bank/LGFA facilities to cover at least three months of forecast day-to-day cash requirements
- exclude term deposits or investments held for prefinancing of specific debt maturities from the liquidity coverage calculation.

Where capital expenditure is not expected to be financed through LGFA, this financing requirement will be included in the liquidity coverage measure.

7.4 Liquidity risk recognition and forecasting

Tiaki Wai recognises three dimensions of liquidity risk:

7.4.1 Day-to-day cash management

- Daily visibility of bank balances and cash position.
- Cash flow forecasts covering at least **three months**.

7.4.2 Short-term liquidity management

- Monthly rolling **12-month** cash flow and liquidity forecasts, including committed liquid assets and facilities.
- Inclusion of expected capex, debt drawdowns, refinancing and debt service.

7.4.3 Long-term liquidity management

- Annual forecasting of cash requirements for **at least three years**, aligned to budgets and long-term plans.
- Regular updates for changes in capital programme, regulatory decisions and revenue profile.
- Forecasts must be updated promptly for known events (e.g. government announcements affecting capital investment), with updated assessment of liquidity coverage and covenants.

7.5 Management of financial investments

The objective of Tiaki Wai in holding and managing financial investments is to support the prefinancing of maturing debt and general working capital and cash-management needs. Financial investments are therefore treated as a **liquidity portfolio**, not a core investment portfolio.

Tiaki Wai does not operate a return-seeking investment portfolio and does not intend to hold equity securities, except where required for operational or strategic purposes directly related to delivering water services.

Tiaki Wai does not hold investments for return-seeking purposes and therefore has **no target rate of return**. Investments are held solely to meet liquidity and operational needs (for example, short-term deposits pending capital expenditure or debt repayment).

The priorities in managing this portfolio are, in order of importance:

1. **Capital preservation.**
2. **Liquidity** – the ability to convert to cash quickly and reliably.
3. **Diversification**.

7.6 Approved financial investments

Liquid assets and sources of liquidity comprise:

- on-call cash balances
- forecast net funds from operations (FFO)
- undrawn committed bank and LGFA facilities
- bank term deposits maturing within 12 months
- bank-issued registered certificates of deposit.

Financial investments related to borrowing:

- In connection with LGFA debt, Tiaki Wai is required to provide borrower notes related to such borrowing. These notes are not a tradable security, have no liquidity, and a prerequisite to borrow from LGFA.
- Under an event that requires LGFA to access additional capital, borrower notes will convert and transfer proportionately to the shareholder position of Tiaki Wai. **This means any equity conversion is applicable only to underlying shareholders (councils) and not Tiaki Wai.**

8 Cash Management

8.1 Definition

Cash management is the day-to-day control of cash inflows and outflows to meet obligations efficiently and cost effectively. It is a key component of, but narrower than, liquidity management.

8.2 Objectives

The objectives are to:

- provide timely and accurate visibility of cash position
- optimise use of surplus cash to minimise borrowing and idle balances
- ensure efficient and controlled execution of receipts and payments.

8.3 Cash management practices

Tiaki Wai will:

- maintain full visibility of all bank accounts and review regularly for appropriateness
- operate a **rolling cash flow forecast** (minimum three months, extended as required) to identify anticipated borrowing/investment needs
- align the timing of receipts and payments where practical to reduce timing mismatches
- optimise account structures, sweeps and offsets to minimise interest and fees
- monitor actual vs forecast cash flows monthly, analyse variances and improve forecasting accuracy
- ensure payment authorisation controls align with Delegations of Authority and banking mandates.

9 Interest Rate Risk Management

9.1 Definition

Interest rate risk is the risk of variability in interest expense arising from changes in market interest rates.

9.2 Objectives and scope

The objectives are to:

- contain financing costs over the medium term
- reduce volatility in interest expense within acceptable parameters
- align the interest rate profile with the Tiaki Wai financing profile, regulatory environment and risk appetite.

This Policy covers interest rate risk on **gross external core debt**, including:

- LGFA loans and bonds
- bank loans
- debt capital markets issuance.

Tiaki Wai does not explicitly manage interest rate risk on projected debt, however debt projections will be used to help inform interest rate risk management decisions, i.e., risk management decisions will take into consideration forecast levels of future debt, however this must be supported by committed capex contracts to support underlying financing arrangements being in place.

Interest rate risk on financial investments is not covered here (governed by liquidity and credit risk policies).

9.3 Core vs non-core debt

Core debt: Borrowings expected to remain drawn for more than 12 months.

Non-core/short-term debt: Working capital or temporary borrowing expected to be repaid within 12 months.

Interest rate risk management applies primarily to **core debt**.

9.4 Interest rate risk control limits

Actual gross core external debt (including future committed contracted capital expenditure) must be managed within the following **fixed interest rate** exposure bands.

The risk control limits below reflect the current uncertainty in the regulatory environment and assume that this will eventually align with Cost of Debt methodology that includes reference to a rolling risk-free-rate (e.g. over five or 10 years).

Over time, the interest rate risk settings will be reviewed and assessed to ensure that these align with the regulatory framework once determined by the Commerce Commission.

Bucket	Minimum Fixed	Maximum Fixed
0 – 12 months	50%	90%
12 – 24 months	40%	80%
24 – 36 months	30%	70%
36 – 48 months	20%	65%
48 – 60 months	10%	60%
60 – 72 months	0%	50%
72 – 84 months	0%	40%
84 – 96 months	0%	30%
96 – 120 months and beyond	0%	20%

9.4.1 Definitions and conditions

Fixed-rate exposure: Interest obligations that are not reset by market rates during the period (including fixed-rate loans and the fixed leg of swaps and options deemed "in the money" per Policy).

Floating-rate exposure: Interest obligations subject to periodic resets based on market floating rates (e.g. BKBM).

The fixed-rate profile is calculated on the basis of:

- average fixed obligations over the period
- being relative to average actual gross core debt for that period
- excluding prefunded amounts.

A fixed-rate profile that temporarily falls outside limits but will self-correct within 90 days (e.g. due to market movements or timing of drawdowns) is not treated as a breach. Otherwise, Board approval is required for remediation.

The maximum term of a hedge with derivative instruments is restricted to 10 years. Hedging beyond 10 years is allowable under this Policy through fixed-rate borrowing only, where the associated borrowing costs are deemed economically valuable and align with the financial and treasury objectives of Tiaki Wai.

9.5 Approved interest-rate instruments

- Fixed- and floating-rate loans.
- Forward Rate Agreements (FRAs) on bank bills.
- Interest-rate swaps (fixed-to-floating and floating-to-fixed).
- Forward start interest-rate swaps.

- Interest rate options:
  - caps (purchased only)
  - one-for-one collars (purchased cap combined with sold floor)
  - swaptions (purchased only)
  - one-for-one collar structures on swaps.

9.6 Use of instruments – additional rules

Forward start swaps and collar strategies must have a start date no more than 24 months from transaction date unless directly linked to the expiry of an existing instrument of no greater notional amount.

Interest rate options must not be sold outright. Sold options are permitted only as part of a 1:1 collar structure where:

- notional and maturity match the purchased option
- the sold option leg can be closed out independently (repurchased)
- the sold option is not in-the-money at inception.

Purchased swaptions must mature within 12 months.

Interest rate options maturing beyond 12 months with strike rates more than 2.00% above the relevant swap rate cannot count towards fixed-rate cover calculations.

Swap extensions, deferrals, shorteners and restructures are permitted strategies within Policy limits subject to applicable accounting standard adopted.

10 Foreign Exchange Risk Management

10.1 Definition

Foreign exchange (FX) risk is the risk of loss due to movements in exchange rates affecting the NZD value of foreign currency transactions or commitments.

10.2 Objectives and scope

The objectives are to:

- minimise volatility in NZD cash flows arising from foreign currency-denominated exposures
- ensure FX risk is taken only where directly linked to an underlying business need.

This Policy applies primarily to:

- imported capital expenditure
- foreign currency operating expenditures where material
- other foreign currency exposures as approved by the CFO.

Speculative FX transactions (i.e. without underlying exposure) are strictly prohibited.

10.3 Recognition of FX exposures

FX exposures are recognised when:

- a contract is signed
- a purchase order is raised
- a capital project with foreign currency components is formally approved.

Exposures are identified based on:

- total contract value by currency
- scheduled payment dates or milestones
- NZD equivalent at market spot/forward rates on the recognition date.

10.4 Hedging threshold and principles

- Exposures above **NZD 250,000 equivalent** (including aggregated milestone payments for a single project) must be managed under this Policy.
- Hedging should reflect:
  - payment schedule
  - degree of cost certainty
  - project timing and risk.

10.5 FX risk control limits

Committed currency exposures (legal commitments) must be hedged as follows:

Milestone	Hedged by FEC or options	Hedged by purchased options
1. Initial recognition of exposure	Nil	Max 50%
2. Specific item / project formally approved	Up to 50%	Up to 100%
3. Contract executed (legal commitment)	100%	FEC required

Additional guidance:

- Before specific item approval: Up to 50% of budgeted foreign currency capex may be prehedged using options only.
- After item approval but before purchase order: Up to 100% may be hedged using purchased options.
- After legal commitment: 100% of exposure must be hedged using Forward Exchange Contracts (FECs) to scheduled payment dates. Any existing options must be exercised, cashed in or rolled forward into FECs.

10.6 Approved FX instruments

- Spot foreign exchange.
- Forward exchange contracts (including par forwards).
- Foreign currency deposit accounts.
- Purchased foreign exchange options.
- One-for-one collar options (purchased call/put with matched sold option).

10.7 Use of FX instruments – additional rules

FECs may be delivered early and rolled forward for up to 90 days beyond original maturity.

FX options cannot be sold outright.

Premiums may be paid upfront or delayed to expiry where agreed with counterparties.

Collar options:

- notional and maturity of sold option must match purchased option
- purchased and sold options must be closed out together unless the sold leg is closed out separately and purchased leg retained.

10.8 Indirect FX risk

Tiaki Wai may be exposed to indirect foreign exchange risk where goods or services are purchased in NZD, but the NZD price is determined by reference to a foreign currency input, commodity price, index or exchange rate. This includes arrangements where a local supplier invoices in NZD, but the price is set by reference to a historic exchange rate applied to a USD-denominated commodity price.

Where such pricing mechanisms are material, treasury must identify, quantify and monitor the underlying foreign-exchange exposure where it can be reliably measured. The exposure should be managed in accordance with this Policy, including through supplier contract terms, procurement strategy, budget allowances, natural offsets or approved FX hedging instruments where appropriate.

Indirect FX exposures must not be treated as speculative. FX hedging may only be undertaken where there is a clear, documented and measurable linkage between the NZD cash flow and the underlying foreign-currency pricing formula. **Where the foreign-currency component cannot be reliably separated or measured, the risk should be managed through procurement** and financial forecasting rather than derivative hedging.

11 New, Emerging, or Changed Treasury Risks

11.1 Definition

Where a new, emerging or materially changed treasury risk is identified, management must assess whether the risk is contemplated by this Policy and whether existing Policy settings remain appropriate (e.g. **commodity price risk**).

This assessment should consider the nature and source of the risk, its expected financial impact, timing, certainty, relationship to the Tiaki Wai approved work programme, available management actions, approval requirements and reporting implications.

Where the risk is not expressly contemplated by this Policy, or where management considers that existing Policy settings may not be sufficient to manage the risk appropriately, the matter must be escalated to the Chief Executive and referred to the Board before action is taken, unless immediate action is required to protect the position of Tiaki Wai. Any such action must be reported to the Board promptly.

Material new or changed risks must be reflected in treasury reporting and considered as part of the next Policy review. Where the risk represents a material change in the exposure profile of Tiaki Wai, operating model, funding arrangements or governance requirements, an earlier Policy review must be undertaken.

11.2 Objectives and scope

The objectives are to assess and document:

- the nature and source of the risk
- whether it is already contemplated by the Policy
- financial materiality and timing
- proposed treatment under existing Policy settings
- whether Board approval is required
- whether a Policy amendment or earlier review is required
- how the matter will be reported and monitored.

12 Counterparty Credit Risk

12.1 Definition

Counterparty credit risk is the risk of financial loss due to the failure of a bank, issuer or other counterparty to meet its financial obligations, or due to deterioration in perceived credit quality.

12.2 Objectives and scope

The objectives are to:

- limit exposure to counterparties with unacceptable credit risk
- diversify exposures to avoid undue concentration
- align with the risk appetite of Tiaki Wai and obligations under relevant Acts and lender documents.

This Policy covers:

- bank deposits and call accounts
- derivative transactions (interest rate and FX)
- other securities or instruments held as liquidity investments.

12.3 Eligibility criteria

All banks must be:

- regulated by the Reserve Bank of New Zealand (RBNZ)
- rated at least **A** long term by Standard & Poor's or equivalent
- in the event of split ratings, the **lowest** rating prevails for limit setting.

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

The direct obligations of the **New Zealand Government** are exempt from credit limits.

12.4 Counterparty Limits

Long-term Rating (S&P equiv.)	Maximum Investments ($m)	Maximum Risk Management Instruments ($m)	Maximum Total Exposure ($m)	Max Limit as % of Tiaki Wai Equity
AA / AA–	200	1500	1700	30%
A+ / A	100	750	850	15%

Exposure calculation methods are:

- investments (e.g. bank deposits): Notional x 100%
- interest-rate derivatives: Notional x (maturity in years x 3%)
- foreign exchange instruments: Notional x (√maturity in years x 15%).

Where practicable, exposures should be diversified across more than one bank.

12.5 Monitoring and downgrades

Counterparty credit ratings and exposures must be monitored on an ongoing basis.

If a counterparty rating falls below the eligibility threshold:

- its limits are immediately reduced to zero
- no new transactions may be entered into
- the CFO is notified and exposures are actively managed down over a reasonable timeframe.

Any reinstatement of a counterparty must follow fresh due diligence and CFO approval.

13 Operational Risk Management

13.1 Objective

Tiaki Wai seeks to minimise operational risk in treasury by maintaining strong controls over people, processes, systems and documentation.

13.2 Key controls

Tiaki Wai will:

- maintain **documented treasury policies and procedures**, reviewed at least every three years
- maintain adequate **segregation of duties**, ensuring (where practicable) that deal execution, confirmation and settlement are performed by separate individuals or functions
- maintain up-to-date **Delegations of Authority** and authorised signatory lists
- ensure sufficient treasury staffing, competencies and training, including succession planning
- maintain appropriate **treasury systems** (TMS, spreadsheets, banking platforms) with robust access controls
- undertake periodic **internal or external audits** of treasury operations
- monitor and comply with all legal, accounting, regulatory and trustee obligations.

13.3 Delegated authorities and authorised personnel

All counterparties must hold up-to-date standard settlement instructions, including:

- authorised dealers and signatories
- standard bank accounts for settlement
- contacts for confirmation and disputes.

Delegations and authorised signatories must be reviewed at least **every 12 months**.

Written notification of changes must be sent promptly to counterparties, particularly where authorised signatories leave Tiaki Wai.

13.4 Settlement process

Treasury settlements are to be executed via NZClear or approved electronic banking platforms.

No single person may both execute and settle the same transaction.

All deals must be supported by treasury tickets and counterparty confirmations.

13.5 Treasury front/back-office operations

If activities are outsourced under a Services Contract to a third party these are set out in **Appendix C**).

13.6 Transactional bank review (transition period)

During the transition period, management will periodically review the Tiaki Wai transactional banking arrangements and operational requirements in conjunction with the TSI (Technology Systems Investment) set-up. This may also consider updated banking mandates, user access, controls, and process settings as required to maintain efficient operations and strong control.

13.7 Legal and documentation risk

Tiaki Wai will:

- use standard dealing and settlement instructions for all counterparties
- maintain and regularly review (at least three-yearly) all core legal documentation including:
  - transactional banking agreements
  - facility agreements
  - security documentation
  - International Swaps and Derivatives Association (ISDA) master agreements and relevant schedules.
- Obtain independent legal review of all new or significantly amended treasury documentation.
- Only transact with counterparties where appropriate legal agreements are in place.

13.8 Financial covenants and reporting obligations

Tiaki Wai must not enter into any transaction that would **cause or materially increase the likelihood** of breaching financial covenants.

Any forecast technical breach must be immediately notified to the Board and a remediation strategy developed.

All obligations and reporting requirements under financing, risk-management and security arrangements must be met in full and on time.

14 Performance Measurement and Treasury Reporting

14.1 Performance measurement

Key performance indicators for the treasury function include:

14.1.1 Operational performance

- Zero unauthorised or speculative transactions.
- Compliance with Policy limits (with all breaches reported and remediated).
- Treasury reporting delivered on time and to required quality.

14.1.2 Borrowing cost performance

- Actual interest cost vs budgeted cost (YTD and full year).
- Actual weighted average borrowing rate vs budget and/or strategy benchmark (e.g. LGFA curve).

14.1.3 Risk management performance

- Maintenance of interest rate, liquidity and refinancing metrics within Policy bands.
- Covenant compliance and adequate headroom.
- Counterparty exposures within limits.

14.2 Treasury reporting

Minimum reporting requirements:

Report / Content	Frequency	Prepared By	Recipient
Daily/weekly cash position and liquidity snapshot	Observed daily/weekly; summarised monthly	Treasury function	CFO, Head of Treasury
Rolling cash flow forecast (at least 3 months; extended as needed)	Monthly / Quarterly	Management / treasury	CFO, Head of Treasury
12-month rolling cash flow and debt forecast; annual borrowing programme update	Quarterly	Treasury function / CFO	Board
financing and interest-rate risk position; hedge profile vs	Quarterly	Treasury function / CFO	Board

Report / Content	Frequency	Prepared By	Recipient
Policy limits			
Liquidity position and Policy limits (coverage ratios, facility headroom)	Quarterly	Treasury function / CFO	Board
Debt metrics and lender covenant compliance	Quarterly	Treasury function / CFO	Board
Counterparty credit exposure and limits	Quarterly	Treasury function	CFO / Board
Foreign currency exposures and hedge positions	As required / quarterly if relevant	Treasury function	CFO / Board
Derivative valuations and mark-to-market summary	Quarterly	Treasury function / External valuer	CFO / Board
Exceptions and breach report (Policy or covenant breaches and remedial actions)	As required; minimum Quarterly	Treasury function / CFO	Board

14.3 External Reporting

Reporting requirements provided to lenders are prepared by the treasury function in coordination with the Finance team:

Deliverable	Period	Due
Annual audited Financial Statements	Financial Year End 30 June	**Within five months** after the end of each of its financial years a copy of the latest audited annual Financial Statements for the preceding financial year
Half-year unaudited Financial Statements	For each half-year period	If it produces financial statements for financial half-year, **within three months**
Quarterly unaudited Financial Statements	For each quarter period after financial close	**Within two months** for the applicable quarter
Compliance Certificate (Director-signed) confirming compliance with each of the Financial Covenants as at the preceding Test Date (by reference	Delivered with each annual Financial Statement	Same time as the relevant Financial Report. **The first Test Date will be 30 June 2027**

Deliverable	Period	Due
to the financial year ending on the Test Date) or advising details of any non-compliance		
Any other information in relation to the business, assets, financial condition which the lender may reasonably request		

Appendix A: Covenant Definitions

Funds From Operations (FFO) to Net Debt

Measures leverage and ability to repay debt from core cash flows.

- **FFO** is defined as EBITDA less:
  - cash interest expense
  - development contributions,
    plus the allowed proportion of development contributions (per lender definitions, i.e., up to 75% of operating revenue).
- **Net debt** is gross debt less:
  - cash
  - LGFA borrower notes.

FFO to Cash Interest

- An interest coverage multiple calculated as:
  (FFO + cash interest expense) / cash interest expense.
- Measures ability to service debt from available cash flows.

Cash Interest Expense

- Interest paid on debt less any interest income received.

Appendix B: Approved Banks and Ratings

Bank	Standard & Poor's	Fitch (S&P equiv.)	Moody's (S&P equiv.)
ANZ	AA–	AA-	Aa3
BNZ	AA–	AA-	Aa3
Westpac	AA–	AA-	Aa3
CBA	AA–	AA-	Aa3

Additional approved banks and their ratings will be listed here and updated as necessary, subject to Section 12.

Appendix C: Service Level Agreement Responsibilities

Where treasury services are provided by a third party under a Service Level Agreement (SLA), that party will:

Front office

- Reports to the Tiaki Wai Board (or nominated committee) on all treasury matters (if any).
- Maintains relationships with LGFA, banks, insurance brokers and underwriters.
- Executes liquidity, financing, interest rate and all risk management activities within parameters of the Policy.
- Monitors debt capacity and covenants.
- Conducts all treasury activities as outlined in the SLA.

Back office

- Reports to the Tiaki Wai Board (or nominated committee) on internal treasury process matters (if any).
- Maintains relationships with LGFA, banks and the security trustee.
- Monitors liquidity, debt maturity, interest rate, FX and counterparty credit risk within Policy limits.
- Performs confirmation and settlement activities in accordance with approved treasury tickets and delegations.
- Reports on debt capacity, covenants and counterparty ratings.
- Prepares Group or consolidated treasury reporting for the Board.
- Conducts all treasury activities as outlined in the SLA.

Service Level Agreements are outlined in supplementary documents to this Policy.