



# TREASURY & INVESTMENT POLICY

Policy	Treasury & Investment Policy (combining three policies - previously Treasury Policy and Investment Policy and Reporting Cases of Misappropriation policy)
Version	Version 1.0
Date in force	1 June 2024
Planned review	1 June 2026

## Purpose

This policy establishes a framework within which the InternetNZ Group (“InternetNZ”) ensures the risks associated with investments, cash management, foreign currency, credit risk and wider treasury operations are adequately identified, monitored and managed within prudent risk management parameters.

## Principles and Objectives

Council acknowledges that there are various financial risks from its treasury and investment activities. The objectives of this policy are to:

- Identify, control and manage treasury and investment risks within the parameters of predetermined control limits established by this policy;
- Provide a framework within which management may pursue an appropriate investment strategy, optimising net returns within acceptable risk and contractual parameters and through prudent investments of funds;
- Ensure that InternetNZ maintains sufficient liquidity to enable operational and capital expenditure commitments to be met;
- Maintain an adequate level of investment diversification with an emphasis on capital preservation taking into account appropriate investment horizon(s)

- Maintain adequate internal controls and segregation of duties to minimise operational risk while recognising the limited number of personnel who participate in InternetNZ's treasury and investment activities.
- Generally utilise a range of investment products operated by reputable fund managers as portfolio investment entities (PIEs) for relatively liquid assets. These are generally liquid, tax and fee efficient vehicles for modestly scaled charities and other operations.

## Responsibilities

While Council has final responsibility for the policy governing the management of InternetNZ's treasury and investment activities, responsibility for the day to day management of such activities is delegated to the Operational Investment team (members include Chief Executive, General Manager Organisational Performance and the Finance Manager).

Details of InternetNZ's investments and liquidity position are reported to the Chief Executive and disclosed to the Audit and Risk Committee as part of the quarterly reporting process.

## Cash Management

The General Manager Organisational Performance will ensure that appropriate cash forecasting mechanisms are maintained so that funds are readily available to meet all day-to-day obligations, satisfying both budgeted and unforeseen cashflow requirements and capital expenditure.

While noting that funds received from Registrars of InternetNZ typically represent deferred income (from an accounting perspective) , cash management and investment decisions may be made on a cashflow basis i.e. management will look to prudently manage all cash positions.

If cash flows are not sufficient to support future plans, the Chief Executive is responsible for advising Council and taking the appropriate remedial action. Future cashflow projections should be based on 12 months into the future, to ensure Council is aware of any potential issues

## Investments

The Operational Investment Team is responsible for ensuring that funds not imminently needed for operations are appropriately utilised to support both projected future cashflow requirements and InternetNZ's long term strategic objectives.

InternetNZ's investment philosophy is that all investments must be prudent, ethical and the associated risks and returns balanced against the key aims of optimised return and capital preservation.

Investments may be held in the following forms, with investment risk reduced via diversification both within and between asset classes and several investment managers:

- **Cash at Bank** – funds that have been placed on deposit with a financial institution (bank call / investment accounts / term deposits). Bank counterparties are restricted to New Zealand registered banks with a minimum A+ (or equivalent) long term credit rating on the day the investments are made. When placing term deposits, consideration should also be given to InternetNZ's projected future cashflow requirements, bank counterparty concentration levels and ensuring yields are competitive. The tenor of any bank term deposit is restricted to a maximum of 3 years.
- **Income Assets** – Cash and bond funds, both domestic and international of sovereign and corporate borrowers with investment grade credit risks. The focus is on capital preservation, low volatility and low risk. A short notice period typically means such funds are highly liquid.
- **Growth Assets** – Equities both global and domestic, including listed property and listed infrastructure assets. The fund's objective is to provide an enhanced return over the long term through income and predominantly capital gains and dividend growth. Global stocks are generally very liquid hence products investing in there are also liquid, though generally more volatile than income assets.
- **Alternative/Other Assets** – A range of higher returns, consistent with the principles of this policy, less liquid investment products such as private equity, private debt, direct property and infrastructure investments, with an absolute return focus to further diversify away from market risks.

The Council has determined to allocate a \$11 million portion of the assets to a longer term investment horizon fund (minimum twenty years ), which would generate income and capital growth to provide sustainable funding to distribute or support appropriate causes for public good. This fund would have a higher growth and alternative assets exposure and can be added to through operational surpluses.

The balance of the assets (short term fund) will generally be invested in low-risk cash and income products.

InternetNZ will incorporate ESG information in its investment decision-making process by selecting appropriate investment managers to ensure that all relevant factors are accounted for when assessing risk and return.

The investment strategy will be reviewed by management and an external Investment Advisory Firm on at least an annual basis (typically aligned to the budgeting cycle), to ensure investment objectives are being achieved.

Reporting of investments will be provided to the Audit and Risk Committee on at least a quarterly basis, also noting any lodgement/withdrawal of managed funds. The Quarterly Financial Report to Council will also include appropriate updates.

## Investment Beliefs

The Council believes that:

- Strong governance leads to better investment decisions.
- Higher returns are associated with greater risk.
- Prudent diversification within a portfolio may reduce volatility if diversification opportunities are available otherwise risk must be managed.
- Asset allocation is important and is a major determinant of portfolio returns.
- Active management may return a premium over time but requires skill and information.
- Markets have a strong behavioural element.
- Historical performance is a poor guide to future performance.

## Investment Strategy

The investment strategy will vary with market conditions and operational needs but generally fall within the following parameters

### Short Term Fund

	Benchmark %	Range %
Cash (incl. bank term deposits)	30	10 – 60
Income Assets	60	0 – 70
Growth Assets	10	0 – 20
Total	100	

### Long Term Fund

	Benchmark %	Range %
Cash (incl. bank term deposits)	10	0 – 20
Income Assets	30	20 – 40
Growth Assets	50	30 – 70
Alternative Assets	10	0 – 20
Total	100	

The objective for the Short Term Fund will be OCR + 0.5% over rolling three year periods. The objective for the Long Term Fund will be CPI + 3% averaged over five year rolling periods.

The investment managers should agree to the following constraints:

- Be signatories to the Principles of Responsible Investment;
- Use futures and options only for prudential investment purposes and not use leverage or gearing;
- Not invest in its own company, its parent or subsidiaries.

The schedule of the current managed funds and their respective target objectives are set out in the Appendix.

## Foreign Exchange

The majority of InternetNZ's activities are denominated in NZ dollars. However, should a foreign exchange exposure arise, the General Manager Organisational Performance is responsible for ensuring it is appropriately forecast, monitored, managed and reported.

The following general controls will apply to the management of any foreign exchange exposure:

- Where practical, any US dollar payments or receipts should be channelled through the existing US dollar bank account;
- Any foreign exchange exposure greater than NZD250,000 will be reported to Audit and Risk Committee as part of the regular reporting process;
- Any foreign exchange hedging must relate to an underlying physical or expected commitment, be approved in advance by the Chief Executive and be undertaken with InternetNZ's transactional bankers.

## Borrowing

In the event that InternetNZ borrows funds, including overdraft facilities, this will need to be approved by the Council as part of the Annual Planning process or by resolution of Council before borrowing is undertaken.

## Operations and Procedures

Arranging and agreeing transactions with external counterparties must occur in a framework of control and accuracy. The following procedures are required to minimise risks through unauthorised activity or unintentional error.

- The Operational Investment team must ensure that there is documented support for all treasury transactions and that appropriate segregation of duties amongst staff is maintained to minimise the risk of error or fraud;
- The General Manager Organisational Performance or Chief Executive must formally advise InternetNZ's bankers of all changes in authorised personnel or standard settlement instructions;
- All receipts must be received into authorised bank accounts as per standard settlement instructions;
- All payments must be authorised by two approved account signatories (Chief Executive; Senior members of staff as nominated and delegated by Chief Executive and approved by Council; Council members, as approved by Council);
- Any breach of this policy will be reported to Council, with any cases of serious fraud or misappropriation also reported to the police.

## Appendix

### Fund Manager Mandates

Manager	Benchmark Target/Objective
Kiwi Wealth Balanced Fund (Fisher Funds)	CPI + 3% over rolling three year periods net of fees
Milford Balanced Fund	CPI + 3% over rolling three year periods net of fees