

Investment Management

Policy	FIN-INV: Investment Management
Version	Version 2.0
Date in force	August 2012
Reviewed	November 2018
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This policy applies only to InternetNZ and not subsidiaries

Purpose

Maximise InternetNZ's long-term return on investments while appropriately managing obligations and risks.

Principles

InternetNZ holds two separate pools of investments:

- 1) Invested Funds are any and all other financial assets that are not Registrar Prepayments. Invested funds are accounted for separately as a distinct balance sheet line item.
- 2) Registrar Prepayments are investments comprised of any domain name fees that have been prepaid to InternetNZ by registrars for registry services. .nz policy, as reflected in the .nz Connection Agreement, provides for Registrants to register domain names for periods of up to 10 years (120 months). InternetNZ requires registrars to pay the full domain name fee for the entire period of registration at the first invoicing point. InternetNZ does not treat all of this payment as earned income but follows the accepted accounting practice of only recognising income as and when service is provided, with the rest of the payment being treated as deferred income. This is shown as a liability on the balance sheet reflecting that the organisation has yet to provide the service to which the prepaid fees related. Each month, one month's worth of deferred income for each prepaid domain is recognised as income on the profit and loss account, reducing the deferred income held for those domains.

Policy

- 1) The organisation shall adhere to the Constitution, Council Bylaws and to all relevant laws governing Incorporated Societies in its undertaking of any investment.
- 2) The organisation will manage Invested Funds and Registrar Prepayments separately. This ensures that Registrar Prepayments are able to be managed in a very conservative manner, appropriate to that they are prepayments for services to be rendered in the future. Accordingly, the following investment principles apply:
 - a) For Invested Funds, the organisation shall favour investments that entail minimal risk and which require the minimum of active management or

participation by the organisation, its Officers, or those appointed to oversee the investment process. “Minimal risk” investments are those that have a rating of at least A by Standard & Poor’s or equivalent and are held by a NZ registered bank.

- b) For Registrar Prepayments, the organisation shall favour investments that entail very low risk and which require the minimum of active management or participation by the organisation, its Officers, or those appointed to oversee the investment process. “Very low risk” investments are those that are cash or term-deposit based; that have a rating of at least A by Standard & Poor’s or equivalent and are held by a NZ registered bank.
- 3) The organisation has an obligation to establish investments that are likely to yield the best possible rate of return, subject and subordinate to the requirements of paragraphs (1) and (2).
- 4) In order to manage risk of bank default, any investments will be split between at least three different New Zealand trading banks. The amount managed by each bank will be kept roughly equal. Returns earned on invested funds shall be added back to the investment funds unless there is Council agreement directing otherwise.
- 5) InternetNZ Councillors, Officers, or those appointed to oversee the investment process are required to disclose any interest they may have, or know of, concerning an investment held by the organisation, to the Council through the President.
- 6) The Chief Executive of InternetNZ shall have the responsibility to explore, establish and manage investments in accordance with this overall policy.
- 7) The Chief Executive shall report any change in the status of investments held by the organisation as part of his/her regular reporting to Council.
- 8) The organisation shall include an abbreviated non-specific summary of investments in the annual report.