

# Economic Capital Management Policy

## Section 1 - Introduction

(1) UON does not have the capacity to directly control adjustments to its economic capital, as it:

- a. Cannot raise economic capital from financial markets; and
- b. Cannot reduce economic capital through dividends or other economic capital management strategies.

(2) UON does have the capacity to directly control adjustments to the mix of its assets and liabilities, as it makes decisions with respect to:

- a. Investment in fixed assets;
- b. Investment of financial assets;
- c. Incurring liabilities; and
- d. Engaging in operating activities.

(3) Accordingly, this Policy is based on the management of the four controllable parameters above, using an "A" Rating methodology.

## Section 2 - Intent

(4) The intent of this Policy is to provide a framework to manage UON's financial position, financial performance and cash flows, by reference to the financial metrics used by the main rating agencies.

(5) This Policy applies to UON and its controlled entities. Controlled entities are included in this Policy's scope due to the impact they have on UON's consolidated financial position, financial performance and cash flows.

## Section 3 - Audience

(6) Council, Finance & Audit Committee, Chief Operating Officer, Chief Financial Officer, Management, Controlled entities.

## Section 4 - Policy

### Policy Principle

(7) UON will manage its financial position, financial performance and cash flows to maintain an "A" Rating.

### Procedures

(8) The Chief Financial Officer may, by written determination, determine procedures for the implementation of this Policy.

## Section 5 - Roles and Responsibilities

Role	Responsibilities
The Council through the Finance and Audit Committee	<ul style="list-style-type: none"><li>- Monitor actual and forecast performance against the achievement of the "A" Rating.</li><li>- Review consolidated business plans incorporating the initiatives proposed to maintain an "A" Rating.</li></ul>
Management - principally delivered by the Chief Financial Officer	<ul style="list-style-type: none"><li>- Monitor and report actual and forecast performance against the achievement of the "A" Rating.</li><li>- Assess and report on the ongoing effectiveness of management plans to achieve a financial position, financial performance, and cash flows of an "A" Rating.</li><li>- Develop recommendations for the achievement of an "A" Rating.</li></ul>

## Section 6 - Breaches

(9) If a breach of the "A" Rating financial metrics benchmark occurs the Chief Financial Officer will present to the Council, within two months of the breach being first identified, a plan to remedy the breach. That plan will incorporate initiatives that will remedy the breach within a period of two years of identification unless an alternative period is specified by the Council, in which case the alternative period will apply.

## Status and Details

<b>Status</b>	Historic
<b>Effective Date</b>	31st August 2015
<b>Review Date</b>	31st December 2019
<b>Approval Authority</b>	University Council
<b>Approval Date</b>	31st August 2015
<b>Expiry Date</b>	10th July 2019
<b>Responsible Executive</b>	Paul McCubbin Chief Financial Officer
<b>Enquiries Contact</b>	Paul McCubbin Chief Financial Officer

## Glossary Terms and Definitions

**"Council"** - The governing authority of the University established under section 8A of the University of Newcastle Act 1989.

**"Asset"** - Any tangible or intangible item (or group of items) that the University owns or has a legal or other right to control and exploit to obtain financial or other economic benefits.