

Economic Capital Management Policy

Section 1 - Introduction

(1) The University 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) The University 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 the University's financial position, financial performance and cash flows, by reference to the financial metrics used by the main rating agencies.

Section 3 - Scope

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

Section 4 - Audience

(6) This policy should be read and understood by Council members, Finance Committee members, Chief Operating Officer, Chief Financial Officer, management staff of the University and its controlled entities.

Section 5 - Policy

Policy Principle

(7) The University 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 6 - Roles and Responsibilities

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

Section 7 - 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

Status	Historic
Effective Date	11th July 2019
Review Date	11th July 2022
Approval Authority	University Secretary
Approval Date	11th July 2019
Expiry Date	18th August 2022
Responsible Executive	David Toll Chief Financial Officer
Enquiries Contact	David Toll Chief Financial Officer <hr/> Financial Services

Glossary Terms and Definitions

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

"University" - The University of Newcastle, a body corporate established under sections 4 and 5 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.

"Controlled entity" - Has the same meaning as in section 16A of the University of Newcastle Act 1989.