Foreign Exchange Risk Policy

Section 1 - Executive Summary

(1) The University of Newcastle (University) receives payments and makes purchases in foreign currency, exposing the University to foreign currency risk. Movements in foreign currencies can positively or negatively impact the University's finances. The University will minimise exposure to these movements by using foreign currency bank accounts and foreign exchange hedging contracts. Hedging processes may also be used to reduce or eliminate the impact of currency movements.

Section 2 - Purpose

(2) The purpose of this Policy is to establish how the University will minimise the risk of significant cost from exposure to currency movements when transacting in a foreign currency using appropriate risk mitigation strategies.

(3) This Policy should be read in conjunction with the Foreign Exchange Risk Procedure.

Section 3 - Scope

(4) This Policy applies to financial transactions conducted in foreign currency on behalf of the University or its controlled entities.

Section 4 - Audience

(5) This Policy should be read and understood by University staff who undertake transactions in foreign currency.

Section 5 - Definitions

(6) In the context of this document:

Defined Term	Meaning
Foreign Currency	Any currency other than $AUD.
Foreign Currency Risk	The risk associated with movements in currency exchange rates, which may impact the University's financial results.
Foreign Currency Account	A bank account holding a foreign currency, held by the University.
Foreign Currency Movement	The change in the foreign currency amount between one point (i.e. budget or contract agreement) and the time a related transaction is finalised.
Hedge	A method of risk mitigation aimed at reducing financial loss.
Hedging Contract	A binding transaction that aims to limit exposure to movements in exchange rates.

Section 6 - Foreign Exchange Transaction Exposure

(7) The primary sources of foreign exchange exposure are:

a. foreign currency income associated with research grants, student tuition fees, and philanthropic grants;
b. foreign currency expenditure associated with research grants;
c. general capital and operational expenditure denominated in foreign currency; and
d. expenditure associated with subscriptions and publications of the University library.

Management of the Risk

(8) To reduce foreign exchange exposure the University should ensure contracts are agreed to in Australian dollars, where practical.

(9) Where it is not practical to have contracts agreed to in Australian dollars, foreign currency risks will be managed through:

a. currency accounts; or
b. derivatives.

(10) Financial Services are responsible for managing the net foreign currency exposure using the requirements prescribed in the Foreign Exchange Risk Procedure. All other business units are prohibited from entering into hedging contracts.

Currency Accounts

(11) Where a foreign currency account is held by the University, foreign currency amounts will be received or paid from these accounts.

(12) Where the required foreign currency amount exceeds the currency held, the University may purchase additional amounts of currency as soon as practicable, once the required amount is known, to provide budget certainty for the University.

Derivatives

(13) The University may hedge against a foreign currency exposure using forward exchange contracts. Forward exchange contracts must only be entered into in accordance with the Delegations of Authority and the Foreign Exchange Risk procedure. The University must not undertake activities to speculate on foreign currency movements.

(14) All foreign currency hedging transactions must occur with one of the major Australian banks.

(15) The total value of foreign currency hedging contract transactions must not exceed the limits applied by Council. All derivative transactions must be approved as required by the Finance & Infrastructure Committee Charter, Chancellor's Committee Charter, and Delegations of Authority. Where the circumstances warrant, based on risk and magnitude, advice from relevant expert advisors must be obtained by management.

(16) All hedging transactions must be reported to Finance & Infrastructure Committee by the Chief Financial Officer within the Financial Services Report.

Procedures and Control

(17) The Foreign Exchange Risk Procedure outlines the approval process required for foreign currency transactions, hedge transactions, and the management of foreign currency accounts.

Section 7 - Related Documents

(18) Australian Accounting Standard (AASB) 139 Financial Instruments: Recognition and Measurement

(19) Foreign Exchange Risk Procedure

Status and Details

Status	Current
Effective Date	9th December 2025
Review Date	9th December 2028
Approval Authority	Chief Financial Officer
Approval Date	8th December 2025
Expiry Date	Not Applicable
Responsible Executive	Paul McCubbin Chief Financial Officer
Enquiries Contact	Faye Liu Associate Director, Corporate Accounting and Treasury Financial Services

Glossary Terms and Definitions

"University" - The University of Newcastle, a body corporate established under sections 4 and 5 of the University of Newcastle Act 1989.

"Risk" - Effect of uncertainty on objectives. Note: An effect is a deviation from the expected, whether it is positive and/or negative.

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

"Student" - A person formally enrolled in a course or active in a program offered by the University or affiliated entity.

"Research" - As defined in the Australian Code for the Responsible Conduct of Research, or any replacing Code or document.

"Staff" - Means a person who was at the relevant time employed by the University and includes professional and academic staff of the University, by contract or ongoing, as well as conjoint staff but does not include visitors to the University.