

Document Information

1. Document Details

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Important Note: If the 'Status' of this document reads 'Draft', it has not been finalised and should not be relied upon.

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| 1 | | | |
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| 3 | | | |
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3. Relevant Existing/Related Documents

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|---|
| Institutes of Technology Acts (1992 / 1994 / 1999 / 2006) |
| Code of Governance of Irish Institutes of Technology 2019 |

4. Consultation History

This document has been prepared in consultation with the following bodies:

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|------------------------------|
| John Finn, Treasury Holdings |
|------------------------------|

5. Approvals

This document requires following approvals (in order where applicable):

| Name | Date | Details of Approval Required |
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Treasury in Munster Technological University

1.1 Background

With effect from 01 January 2021, Cork Institute of Technology (CIT) and Institute of Technology Tralee (“ITT”) will be dissolved and Munster Technological University (“MTU” or “the University”) will be established as a new legal entity merging CIT and ITT. Accordingly, this document is drafted and is to apply to the new entity comprising of the merged third-level institutions.

Under the Technological Universities Act 2018, the Governing Body of MTU shall perform the functions of the University. MTU will also be subject to a Code of Governance as adopted by it, which is similar to the Code applicable to institutes of technology.

The day-to-day financial running of MTU is the responsibility of the Finance Office (“Finance”) and responsibility for treasury management and treasury risk management resides with this function.

Treasury practices have been established for many years within CIT and ITT and these practices are subject to regular Internal and External Audit. However, in order to comply with best practice, these policies and procedures have been prepared for formal approval by the Governing Body of MTU.

This Policy will also be subject to directions from the Higher Education Authority and the Department of Education from time to time.

1.2 Attitude to Treasury Risk Management

Treasury risk management aligns strategic goals with risk tolerances. Treasury risk management within MTU is managed by the Finance function. It is focussed on - funding/liquidity; cash management; surplus funds management and management of bank relationships. The objective is to minimise costs and maximise income in a risk averse manner.

This Policy covers each of these activities by stating the treasury objective(s) in the area and setting out the specific provisions thereafter in order to meet the objective(s).

The production and approval of this Treasury Risk Management Policy and Procedures document reflects MTU’s commitment to comply with applicable codes and with best practice.

1.3 Ethics

(a) Fundamental Principles

The Finance function seeks to adhere to high ethical standards in its operations. The principles to which it seeks to adhere are contained in MTU codes of conduct and include:

- Integrity
- Loyalty
- Fairness and objectivity
- Responsibility
- Competence and professional behaviour
- Honesty
- Accountability

(b) Gifts and Hospitality

The Finance function is subject to provisions in this area as decided by the Governing Body and in accordance with sectoral norms.

1.4 Staffing and Training

It is the policy of MTU to staff the Finance function with personnel who have appropriate experience, qualifications, skill levels and degree of specialisation. Resources will be allocated for training to maintain these principles.

1.5 Approval

The Governing Body of MTU formally approved this document on 29th January 2021

The Policy is subject to regular annual review and re-approval by Governing Body if required. The approval will be routed through the relevant sub-committee of GB.

Statement of Strategic Treasury Risk Management Objectives

The goal of MTU Treasury Risk Management is to align policy and procedures associated with treasury operations carried out by the Finance function of MTU with the risk tolerances of the organisation. As a publicly funded education institute, MTU has low tolerances with respect to all risks.

Treasury operations in MTU comprise:

- Liquidity and Funding
- Cash management
- Investment of Surplus funds
- Bank relationship management.

The risks arising include:

- Operational risk
- Financial risk
- Reputational risk.

Treasury risk policies and associated controls are designed to manage and control risks appropriately in an integrated manner where they may not be eliminated.

Treasury Policy Provisions

3.1. Liquidity and Funding

Objectives:

- I. To ensure that MTU has access at all times and at acceptable cost to sufficient cash and funding facilities to enable it to meet its short-term requirements as set out in the annual budget of MTU.**
- II. To ensure the availability of sufficient funds to facilitate MTU's medium-term operations as set out in the University's Programme and Budgets.**
- III. To ensure appropriate funding of the Technological University's capital programmes.**

3.1.1 MTU is currently in a net cash position and ensures that as part of its annual budget in each calendar year it has sufficient cash to fund day-to-day financial obligations as they fall due within that calendar year.

3.1.2 MTU does not currently have any loans or overdrafts. A Technological University may borrow money by means of loan or overdraft and may guarantee borrowings subject to the rules of the HEA (as approved by the relevant Ministers) in relation to borrowing, guaranteeing and underwriting

3.1.3 Provisions relating to borrowings are covered in Section 21 of the Technological Universities Act, 2018

3.1.4 Major Capital works will be funded and structured on a case-by-case basis depending on the details and requirements of the project in question. MTU will consider the use and mix of third-party participation in such funding arrangements and will consider a broad range from bank funding to Public Private Partnerships.

3.1.5 The provisions of Section 3.4 of this policy will govern relationships with banks/financial institutions.

3.2 Cash Management

Objective:

To establish clearing bank arrangements which facilitate the cost-efficient and time-effective receipt and disbursement of funds for MTU.

- 3.2.1 MTU will manage current account balances to maximise levels of surplus funds available for investment and liquidity.
- 3.2.2 The Finance function will control funds centrally for MTU.
- 3.2.3 MTU will minimise the number of bank accounts in order to maintain tight control over the operation of such accounts.
- 3.2.4 To further reduce the costs of managing funds, MTU will seek to transfer surplus balances into deposit accounts on a timely basis where such action results in a better economic outcome.
- 3.2.5 All bank account balances are reviewed weekly by the Finance function and reported as required to the Finance Manager.
- 3.2.6 Bank accounts with Approved Banks (as set out in Appendix IV) can be opened with the approval of the President and relevant Vice President. Bank accounts with new banks can be opened following the completion of a new bank mandate signed by the relevant signing authorities and must be in the name of MTU. These banks will then have to be added to the approved list once approved by the Governing Body through the relevant committee of Governing Body before any accounts can be opened with them.
- 3.2.7 The bank chosen by MTU for all of its operational banking will be selected as a result of a tender process subject to public procurement requirements.
- 3.2.8 Bank charges are negotiated by Finance as part of the tender process.

3.3 Investment of Funds

Objectives:

- I. **As a public body and third level education institution which is partially Government funded, the primary objective in investing surplus funds is to protect the capital value of such funds at all times through the use of appropriate investment instruments and products meeting defined credit risk criteria.**
- II. **To optimise MTU's Income and Expenditure Account by the active management of its funds in order to maximise returns on investments, subject to defined credit risk and other risk parameters.**

- 3.3.1 Only Finance will manage the investment of MTU funds including bank accounts under its control.
- 3.3.2 Based on current funding norms of the University, MTU will mainly have short-term (less than one year) funds to invest. The purpose and profile of availability of such funds and requirement to have ready access to a significant % of funds at any point in time will have an impact on the maximum time period for which such funds can be invested.
- 3.3.3 Short-term funds must only be invested for periods for which the surplus cash balances are forecast to remain in place. This will be based on data contained in the annual budget or the latest cashflow forecast.
- 3.3.4 MTU will split their surplus funds into three tiers: immediate (required in next month), short-term (1-3 months) and medium-term (12-24 months). The last category is available for longer investment periods.
- 3.3.5 Finance may only invest in instruments or investment products where the capital value is guaranteed throughout the life of the investment.
- 3.3.6 Investment products currently deemed suitable are bank deposits, short-term gilts and AAA-rated money market funds.
- 3.3.7 Investments will only be placed with Qualifying Financial Institutions who meet pre-determined criteria including credit ratings as set out in Appendix III ("Acceptable Counterparty Criteria"). Qualifying Financial Institutions will fall into one of two categories or Tiers which are also set in detail in Appendix III. Tier 1 will represent the most acceptable counterparty credit risk category whilst Tier 2 will represent the lower level of acceptable counterparty credit risk.
- 3.3.8 The maximum amount of cash to be placed with Qualifying Financial Institutions will be €25m for Tier 1 institutions and €20m for Tier 2 institutions.
- 3.3.8 Updated credit ratings will be monitored continuously and changes reported to the relevant Governing Body committee.
- 3.3.9 Where the long-term credit rating differs between S&P and Moody's, the lower rating will be the applicable rating for deciding which tier the financial institution occupies.

The following provisions apply to obtaining competing quotes for term deposits:

- (i) Where the term deposit is for less than €1m, then one quote is sufficient
- (ii) Where the term deposit is for greater than €1m but for less than 90 days, a minimum of two quotes must be received
- (iii) Where the term deposit is for more than €1m and for greater than 90 days, quotes must be obtained via a tender process among Qualifying Financial Institutions which have been approved by the University as per Appendix IV.

3.4 Bank Relationship Management

Objective:

To maintain and develop relationships with selected banks in order to retain their support for MTU and to facilitate the achievement of Treasury objectives in the medium-term.

Retail Clearing Banks

- 3.4.1 Finance is responsible for the management of MTU's retail banks relationships. This is important in order to ensure consistency and full compliance with any relevant agreements and tenders.
- 3.4.2 Finance will meet all banks formally at least once every year.
- 3.4.3 MTU will select one bank in Ireland to provide clearing facilities for its operations.
- 3.4.4 Banks will be selected on a range of bases including
- their ability to provide an appropriate range of quality services and products
 - their ability to provide such services and products at competitive prices
 - technological capabilities
 - sustainable metrics.
- 3.4.5 Finance will commence consideration of banks capable of providing financing should the Programmes and Budgets or Capital plans show such a requirement. Only Finance may develop such relationships and the relationships will be managed in accordance with this policy as updated for such requirements.

Treasury Procedures and Reporting

4.1 Procedures

The investment of funds in MTU is managed by Finance. The procedures adopted and the authorisations for the various deposits are as follows:

Short term (0 – 3 months) – Recurrent Funds

1. Bank balances are taken to start the tender process- excl. Capital Development Reserve which is invested separately for specific capital projects
2. A forecast of receipts and payments for the deposit term is prepared in consultation with relevant staff in the following areas:
 - Building Unit
 - Fees & Income
 - Research & Development
 - Payroll
 - SUSI
 - Payments Section
3. The cash available for deposit is established from this forecast
4. Each approved bank as per this policy is contacted by email requesting the following information
 - Interest rate applicable (AER)
 - Fixed and variable options
 - Penalties or charges applying to any breakage in term
 - Their rules relating to partial withdrawal from and additions to the investment during the term
5. The emailed responses are reviewed and summarised by the Finance Office and the successful bank selected
6. The selection is based on tiered counterparty credit ratings as set out in Appendix III and rate in the first instance, but the terms of the product are also taken into account
7. A summary report is prepared and reviewed by the Finance Manager
8. The report is then signed by the relevant Vice President and Finance Manager.
9. All banks are notified and the relevant transfers done to the successful bank
10. This process is also followed for deposits identified below but subject to the additional criteria for each.

Short term (0 – 3 months) – Recurrent Funds

Where funds are available for up to 90 days, a minimum of two competing quotes must be obtained for term deposits over €1m and one quote for under €1m.

Medium term (3 months+) – Recurrent Funds

Where funds are available for more than 90 days, quotes must be sought via a tender process from all of the Qualifying Financial Institutions.

Capital Development Reserve

1. The purpose of the funding and the timescale of the spend is established
2. The monies applied to the Capital Development are reviewed, to determine which are ring-fenced for such purposes¹
3. The funds are invested in long-term deposits

4.2 Reporting

Cash Management

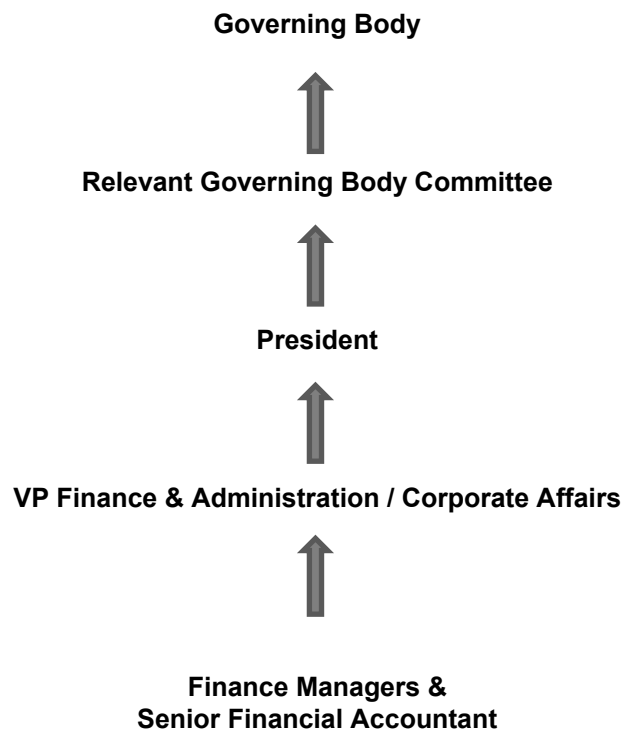
| Frequency | Detail | Produce by ² | Distribute to |
|-----------|---|--------------------------|--|
| Weekly | Bank balances recorded once a week | Finance Cork | Financial Accounts |
| Monthly | Bank reconciliation statements | Finance Tralee & Cork | Finance Manager Kerry / Financial Accounts Cork |
| Quarterly | Update of bank accounts opened and closed and changes to approved signatories | Finance | Financial Accounts |

Investment of Surplus Funds

| Frequency | Detail | Produce by | Distribute to |
|-------------|--|------------|--------------------|
| As required | Cash forecasts completed and Tenders done with all approved banks. | Finance | Financial Accounts |

Appendix I

FINANCE AND TREASURY STRUCTURE



Appendix II

PRINCIPAL ROLES AND RESPONSIBILITIES

The principal roles and responsibilities in relation to Treasury Management and Treasury Risk Management in MTU are summarised below:

| | |
|---|---|
| Governing Body | <ul style="list-style-type: none"> • Approve Treasury Policy • Approve new banks |
| Relevant Governing body Committee | <ul style="list-style-type: none"> • Review internal and external audit reports on Treasury activities • Review Treasury Policy annually • Recommend new banks to Governing Body |
| Vice-President for Finance and Administration / Corporate Affairs | <ul style="list-style-type: none"> • Review proposed new banks for approval to the relevant Governing Body committee. • Review all Treasury activity and reporting to the relevant Governing Body committee and the Governing Body • Review the retail banking (and, if required, funding banking) tender processes |
| Finance Managers and Senior Financial Accountant | <ul style="list-style-type: none"> • Undertake the retail banking (and, if required, funding banking) tender processes • Recommend the appropriate detailed Treasury operating parameters, specific instruments, counterparties and authority limits for each treasury activity to the Relevant Vice President • Undertake on behalf of MTU liquidity management, surplus fund management and daily cash management • Report to the Relevant Vice President on all aspects of treasury activities • Define and recommend to the relevant Vice President the Treasury Risk Management Policy (or changes therein) • Meet with bank(s) at least annually. • Recommend new banks for approval to the relevant Vice President. |

Appendix III

ACCEPTABLE COUNTERPARTY CRITERIA

Introduction

“A Credit Rating is a formal, independent opinion of a borrower’s ability to service its debt obligations” – The UK Association of Corporate Treasurer’s Handbook. Credit ratings can be applied to a variety of debt issues/issuers and are used by companies as a means of evaluating the risk of placing deposits and other transactions which expose them to credit risk with certain banks.

Credit Rating Agencies

There are three main credit rating agencies: Standard & Poor’s (“S&P”), Moody’s Investor Services (“Moody’s”) and Fitch IBCA (“Fitch”).

Credit Rating Categories

All of the ratings agencies split their categories between short-term and long-term. These are designed to accommodate an evaluation of corresponding longevity. The structure of long-term ratings of S&P and Moody’s and long term ratings of banks in the Irish market are as follows:

Table 1: Counterparty Credit Ratings Structure

| Tier | Standard & Poor | Rating of Banks in Irish market | Moody's | Rating of Banks in Irish market |
|----------|------------------|--------------------------------------|------------------|----------------------------------|
| | Long Term | | Long Term | |
| | AAA | | Aaa | |
| | AA+ | | Aa1 | |
| 1 | AA | | Aa2 | |
| | AA- | | Aa3 | Rabobank |
| | A+ | HSBC Bank plc, Rabobank | A1 | HSBC Bank plc |
| | A | Danske Bank, Barclays Bank Ireland | A2 | AIB Bank plc*, Bank of Ireland* |
| | A- | Bank of Ireland, Ulster Bank Ireland | A3 | Ulster Bank Ireland, Danske Bank |
| | BBB + | AIB Bank plc | Baa1 | |
| 2 | BBB | KBC Bank Ire. plc | Baa2 | Permanent TSB |
| | BBB- | Permanent TSB | Baa3 | |
| | BB+ | | Ba1 | |
| | BB | | Ba2 | |
| | BB- | | Ba3 | |
| | B+ | | B1 | |
| | B | | B2 | |
| | B- | | B3 | |
| | CCC | | Caa | |
| | CC | | Ca | |
| | D | | C | |

*This credit rating applies to deposits with this institution

Recommended Counterparty Credit Criteria and Limits

MTU will only deal with Banks/Financial Institutions that have satisfactory long, term credit ratings (i.e. at or above BBB- from Standard and Poor or Baa3 from Moody's

As a result of the above criteria MTU has categorised acceptable financial counterparties ("Qualifying Financial Institutions") into two Tiers as set out below.

The long-term credit rating continues to be the primary evaluation tool notwithstanding the fact that MTU will also monitor other metrics from time to time.

The credit rating must apply to the entity with which the investment is placed. Finally, the two Tiers of Qualifying Financial Institutions, the maximum amount that can be placed on deposit or invested in such institutions and the maximum period for which deposits or investments can be made are as follows:

Table 2. Tiered Counterparty Credit Criteria

| Criteria | Tier 1 | Tier 2 |
|--|-----------|----------|
| Minimum long-term credit rating of financial institution | A- | BBB- |
| Maximum deposit (principal) | €25m | €20m |
| Maximum maturity period | 12 months | 6 months |

Appendix IV

APPROVED BANKS

1. Bank of Ireland
2. AIB Bank plc
3. Ulster Bank Ireland DAC.
4. KBC Bank Ireland plc
5. Barclays Bank Ireland plc

| Bank | S&P Long-term Rating ³ | Short-term Rating | Outlook / Creditwatch |
|---------------------------|-----------------------------------|-------------------|-----------------------|
| Bank of Ireland | A- | A-2 | Negative outlook |
| AIB Bank plc | BBB+ | A-2 | Negative outlook |
| Ulster Bank Ireland DAC. | A- | A-2 | Negative outlook |
| KBC Bank Ireland plc | BBB | A-2 | Stable outlook |
| Ulster Bank Ireland DAC. | A- | A-2 | Negative outlook |
| Barclays Bank Ireland plc | A | A-1 | Negative outlook |
| KBC Bank Ireland plc | BBB | A-2 | Stable outlook |
| Barclays Bank Ireland plc | A | A-1 | Negative outlook |
| | | | |

*Note 1 Ulster Bank Ireland DAC has no guarantee from a government. It is owned by Ulster Bank Ltd which has the same ratings but S&P attribute 5 notches of support from it's parent, Royal Bank of Scotland plc, to its rating

Note 2 KBC Bank Ireland Ltd has no guarantee from a government. It is owned by KBC Bank NV (A-/A-2) and S&P attribute 3 notches of support from it's parent to the rating of KBC Bank Ireland plc.