Policy

TREASURY MANAGEMENT POLICY

Investment Policy & Liability Management Policy

TEAM:	Finance
RESPONSIBILITY:	Finance Manager
ADOPTED:	17 March 2021
REVIEW:	Every 3 years, or as required
CONSULTATION:	No consultation required under S.102(5), Local Government Act 2002
RELATED DOCUMENTS:	Local Government Act 2002

Policy Objective

The Treasury Management Policy includes the Investment Policy and the Liability Management Policy. This policy details the specific policies in respect of all treasury activity to be undertaken by Ashburton District Council. The formalisation of such policies will enable treasury risks within Council to be prudently managed. Council is required to have a Liability Management Policy and an Investment Policy. The document sets out policy guidance to be used to safeguard Council's investments, maximise returns and minimise its risks, both in investing and its borrowing liability.

Part I

- **Investment Policy**
  The Investment Policy sets out the objectives of Council's investing activities. The actions required in order to obtain each objective are detailed on an objective by objective basis.

- **Liability Management Policy**
  The Liability Management Policy sets out the objectives of Council's borrowing activities (external and internal). The actions required in order to obtain each objective are detailed on an objective by objective basis.

Part II – Operations:

This section details the day-to-day administration of investments and borrowing of Council, including the controls used to ensure a clear audit trail of treasury activity and the reporting required of the Finance Manager to Council.

Appendices

Appendix I – Authorised investment criteria for short term funds and long term funds.

Part I – Investment Policy

Council generally holds investments for strategic reasons where there is some community, social, physical or economic benefit accruing from the investment activity. Investments and associated risks are monitored and managed, and regularly reported to Council. Council has considerable investments in the following areas:

- Cash and cash equivalents
- Investment property
- Forestry
- Shares
- Other financial assets (i.e. bonds).

These assets form a large part of the total assets of Council, and provide significant income which can be used to offset rates. It is therefore critical that policies are in place that firstly, ensure the risk of capital loss is minimised, and secondly, ensure the maximum return is achieved while minimising risk. This policy sets out how this will be achieved.

Introduction

Council recognises that as a responsible public authority all investments held should be low risk. Council also recognises that low risk investments generally mean lower returns. Council can internally borrow from reserve funds to meet future capital expenditure requirements where this is appropriate.

Council has an investment portfolio which may include:

- New Zealand Registered Bank deposits
- Local authority bonds
- Corporate bonds
- New Zealand Registered Bank bonds
- Bonds issued by Financial Organisations (“Financials”).
- State Owned Enterprise bonds
- Shares
- Forestry
- Property

This combination of investments supports Council’s desire to minimise risk while maintaining options for choice of investment to be based on less commercial criteria. An example of this is ownership of elderly persons housing, which is held for the purposes of providing a social benefit to the community. Council's investments in equities have arisen as a result of local authorities on a nation-wide basis trying to gain from bulk purchasing (i.e. Civic Financial Services Ltd), or for strategic purposes such as the equity investment in Transwaste Canterbury Ltd.

For the purpose of managing Council’s investments it is necessary to consider them as belonging to four separate categories:

- Working capital
- Investment funds
- Property I (intended to gain a market return, including forestry)
- Property II (intended for community use or held for strategic purposes and for which gaining a market return is not the highest priority).

Policy Objectives

The objectives of Council's Investment Policy are to ensure that:

1. Council's funds are safeguarded and investments and borrowings selected are not detrimental to other areas of the Council's operations. This requires that policy guidance is established to define the investment and borrowing risks acceptable to Council.

2. Council's investment and borrowing activities satisfy the legislation controlling Council's ability to invest and borrow, and the prudent person concept as per the Trustee Amendment Act 1988.

3. Council's investments, both in financial instruments and physical assets, are managed so as to maximise the return, given the maturity profile chosen and within acceptable risk constraints.

4. Additions and disposals of investments are controlled to achieve the greatest benefit for Council while minimising risk.

5. The use of income and gains made by investments is applied per Council's revenue and financing policy.

6. Council is adequately informed of investments by way of regular reporting.

7. Existing investments held by Council, that do not meet the criteria contained elsewhere in this document, are reviewed individually and are either disposed of or some justification made in writing for their retention and that they be reviewed on a regular basis.

Policy Implementation

Safeguarding Council's investments and other interests

In order to safeguard Council's interests it is necessary for two criteria to be achieved:

1. The possibility of Council suffering financial loss due to *natural disaster and deterioration*, *interest rate risk* and/or *credit risk* must be minimised while sufficient liquidity is maintained to meet Council's day-to-day monetary needs.

Minimisation of interest rate risk, credit risk and the maintenance of liquidity

Natural disaster and deterioration

The value of Council-owned buildings must be protected by adequate insurance being held against loss by fire and natural disaster and must be maintained as per the relevant asset management plan.

Forestry plantations are to be insured against fire and are to be maintained as per the Forestry Activity Management Plan.

Interest rate risk

The choice of a portfolio's maturity profile is the key to management of interest rate risk. Both debt and investments are subject to this risk. It is necessary to select the term of investments or debt depending on the volatility of the particular market as the longer the term of the transaction, the greater the effect of any movement in the underlying interest rate.

The use of risk management products as detailed in *Guidelines to the Treasury Management Policy* should be considered when any sizeable, long term investment is made. Professional advice should be sought when using these products.

Credit risk

The risk of default by the other party to an investment is best minimised by combining the careful selection of investments which conform to a minimum credit rating and by diversifying the investment portfolio.

As Council is effectively a trustee for public money it must act conservatively, only financial market investments authorised in Appendix I are to be entered into. Investments outside these provisions must only be undertaken with the express consent of Council and subject to criteria specified in this policy.

Diversification of the investment portfolio ensures that only a limited sum is invested in any risk bearing instrument from a single issuer or with a single class of issuer. The lower the credit risk of the issuer or class of issuer, the larger the proportion of funds that may be invested with that issuer or class of issuer.

Council has set limitations on investing with a single issuer or class of issuers for working capital and investment funds. Investment in shares for investment, other than through an equity managed fund are not permitted. This is due to the high risk nature of the share market and the potential for the loss of principal which is less likely to occur through other financial instruments.

Controls and Procedures for Investing

Council acknowledges it is important to clearly document internal control and procedures for investing. These procedures ensure the risk of error and loss to Council are minimised.

Meeting Legislative Requirements

Council's investment must meet all relevant legislative requirements.

The concept of the prudent person as described by the Trustee Amendment Act 1988 must always be to the fore when considering risk. Ratepayers, in their own capacity, can make decisions on investing in high risk investments but they do not expect Council to get involved in such dealings. Council is a custodian of public money not an organisation whose function is dealing in investment management.

Council officers and elected representatives have a duty to ensure that investment funds are protected and that investments are of an acceptable credit risk defined by this policy.

Managing Investments

Maximising Return

In order for returns on investments to be maximised it is necessary for attention to be paid to several areas:

1. What types of investments should Council be involved in?
    - Should investments be long or short-term?
    - Should investments consist of assets or financial instruments?
    - When are "community projects" a suitable investment?
2. Does the return on these investments match or better Council's required rate of return?
    - Should there be different rates for different types of investment?
    - How should Council's required rate of return be set?

Council acknowledges that any increases in return are likely to bring increased risk.

Determining the type of investments Council should be involved in:

a) Duration of investments

As the achievement of prior objectives requires that Council's portfolio be diversified in terms of duration it is necessary to maintain a mix of both short and long-term investments, with regard given to whether funds invested are part of the working capital or the investment fund.

The duration of the long-term funds portfolio shall be controlled by referencing its duration against an appropriate external benchmark. Council is able to vary the duration of the portfolio by no more than 25% either side of the benchmark portfolio's duration. Compliance with the duration control is not required if the nominal value of the long term funds portfolio is less than $10 million.

b) Type of Investment

Investment risk needs to be minimised. This is achieved, in the case of financial market investments, by restricting investments through a combination of credit criteria, limiting investment in any issuer class and in any one individual issuer and by the types of financial market instruments that may be invested in.

It must also be noted that a variety of legislation applies to the purchase, sale and use of property by local authorities including:

- Local Government Act 2002
- Public Works Act 1981
- Public Bodies Leases Act 1969
- Reserves Act 1977
- Residential Tenancy Act 1986
- Resource Management Act 1991

c) Investments in Property

Investments in property fall into three classes:

i) Leased property

The types of assets Council invests in on a commercial basis currently include residential property, commercial property and farm land as well as a large number of commercial and residential properties which are leased via “Glasgow leases”.

At present the return on these investments is mixed. Glasgow lease properties have typically provided low returns (as little as 2% on some properties). Part of the reason for this is the restrictions faced by local authorities in leasing land. These restrictions mean Council may find it difficult to divest itself of these assets.

Council may seek professional advice before purchasing any land for other investment purposes.

ii) Forestry

Investment in forestry has been the subject of investment planning within Council and adheres to this investment plan.

The key points of this are as follows:

- profit is to be maximised while minimising risks through management of the tree crop and selection of low risk land for plantings
- benefits of any new forestry projects to be measured using the “internal rate of return” method where the target rate of return = 10 year govt. bonds - inflation + risk.

iii) Non-commercial properties

Council holds buildings (such as the Ashburton Art Gallery and Heritage Centre premises) for non-commercial purposes and as such does not seek a market return on them nor adequate provision for their eventual replacement. It also holds a number of units let to elderly persons in the district at a concessionary rate. Council has identified properties it holds for non-commercial purposes and a schedule of these is available.

(c) Investments in community projects

From time to time groups within the community request loans, advances or guarantees for projects that will benefit the community. As these investments are with organisations Council would not normally invest with, Council needs to confirm the suitability of any loan application. Councillors should pay particular regard to the ability of the applicant to service the debt and repay principal. Council is responsible for authorising any such loans, advances or guarantees.

(d) Share Investments

Council believes it may be appropriate to have limited investment in equity (shares) when investing for strategic or social reasons. Equity investments for strategic or social reasons will be approved by Council on a case by case basis.

Return on Investments

Categories of investment

As different investments made by Council serve different purposes it is necessary for the return from these investments to be judged using appropriate criteria. For the purpose of assessing the return received from investments, the following categories of investment are to be assessed separately:

- Working capital } Financial instruments and managed fund investments
- Investment (long term) funds }
- Commercial property (intended to gain a market return including forestry)
- Non-commercial property (intended for community use and not aimed at gaining a market return)

Required return on investment

Generally the term of any investment has a large effect on the rate of return received, with long term investments normally gaining a higher return than short term investments other than those in the interest rate markets where yield fluctuations can be pronounced. Given this, each category of investment is to be subject to a different required rate of return.

Financial Instruments

(a) Working Capital

As the bulk of funds invested as working capital is in the form of deposits with New Zealand Registered Banks, the required rate of return for working capital is the movement in the industry standard short-term rate indices or other indices that are appropriate. The nominal value of this fund is to be determined by the Group Manager Business Support, taking into account the working capital requirements of Council. Short-term funds are defined as investments which at the time of purchase have a maturity date of less than six months.

Performance of the working capital (short-term) funds

The performance of the short-term funds portfolio shall be compared on a quarterly basis against the average of the 90 day bank bill rate for the preceding quarter. Compliance with the benchmarking standard is not required if the nominal value of the portfolio average is less than $10 million for the relevant quarter.

(b) Investment (long-term) funds

Long-term funds are defined as those which at the time of purchase have a maturity date of more than six months. The nominal value of long-term funds is determined by the Group Manager Business Support taking into account the amount of funds required for working capital purposes. Due to the large choice of investments available and the variations in their duration, the required rate of return on investments is measured against appropriate external benchmarks.

Performance of the investment funds

The performance of the financial market investments long-term funds portfolio shall be compared against the NZX Investment Grade Bond Index or a benchmark portfolio constructed for Council. Compliance with the benchmarking standard is not required if the nominal value of the portfolio average less than $10 million for the relevant quarter.

Investments in long-term funds must comply with the criteria listed in Appendix I.

Commercial Property: Ideally property should perform as well as a long-term financial investment i.e. it should be required to have a net return equal to the 10 year government bond rate - inflation + risk to reflect the long term nature. The benefits received from property should be assessed using the "internal rate of return" method as this allows some estimation of capital gains to be included. This should be used as a benchmark to determine which properties should be disposed of (if possible), and which should be retained.

Non-commercial Property: As these properties are acquired for specific purposes the required return will be set in each case by Council at the time the property is acquired or transferred to its non-commercial use and reviewed every three years.

Local Government Funding Agency

Despite anything earlier in this Investment Policy the Council may invest in shares and other financial instruments of the New Zealand Local Government Funding Agency Limited (LGFA), and may borrow to fund that investment. The Council's objective in making any such investment will be to:

- Obtain a return on the investment
- Ensure that the LGFA has sufficient capital to remain viable, meaning that it continues as a source of debt funding for the Council

Because of this dual objective, the council may invest in LGFA shares on the basis that the return on that investment is potentially lower than the return it could achieve with alternative investments.

If required, in connection with the investment, the Council may also subscribe for uncalled capital in the LGFA.

Part II – Liability Management Policy

The Liability Management Policy focuses on borrowing (external and internal) as this is most significant component of Council's liabilities and exposes Council to the most significant risks. Council raises debt to finance longer term asset creation and renewal. This policy details how Council will raise debt funding, and minimise the cost of debt.

Liabilities

Council is faced with two types of liability, short-term (current) liabilities and long-term liabilities (debt). Current liabilities are those obligations that generally arise from day to day operations (such as trade creditors), and that would normally be expected to be paid (settled) within a twelve month period. These liabilities are planned for, and met, from Council's working capital cash flow management. This policy is more focused on the long term liabilities (loans) which have arisen as a result of purchasing or constructing assets.

This policy sets out the types of debt instruments that are appropriate and sets out policies to minimise the interest risks to Council from borrowings.

Internal borrowing/ investing

This policy explicitly allows for internal borrowing against the investment pool Council maintains. This may be in lieu of external borrowing or may be used together with external fund raising. The policy sets out matters that need to be considered when borrowing either internally or externally.

Policy objectives

The objectives of the Liability Management Policy are to ensure that:

1. Council's borrowings are not detrimental to other areas of the Council's operations. This requires that policy guidance is established to define the borrowing risks acceptable to Council.
2. Borrowing activities satisfy the legislation controlling Council's ability to borrow, and the prudent person concept as per the Trustee Amendment Act 1988.
3. Borrowing is managed so as to minimise total borrowing costs given the maturity profile chosen and within acceptable risk constraints.
4. Council is adequately informed of borrowing, by way of regular reporting.
5. Existing debt held by Council, that does not meet the criteria contained elsewhere in this document, is reviewed individually and is either disposed of or some justification made in writing for its retention and that it be reviewed on a regular basis.
6. Council is able to meet its borrowing obligations in an orderly manner as and when they fall due, in both the short and long-term, through appropriate liquidity and funding risk management.

7. Appropriate funding facilities are arranged, ensuring these are at market related margins utilising bank debt facilities and /or capital markets (including the LGFA) as appropriate.
8. Lender relationships are maintained and Council's general borrowing profile in the capital markets enables Council to fund itself appropriately at all times.
9. Council stays within its debt covenants contained in LGFA agreements and the Financial Strategy

Policy implementation

Minimising interest rate risk, credit risk and the maintenance of liquidity

The choice of a debt portfolio's maturity profile is one of the keys to management of interest rate risk. Debt is subject to this risk. It is necessary to select the term of debt depending on the volatility of the particular market as the longer the term of the transaction the greater the effect of any movement in the interest rate.

The use of risk management products to manage the underlying interest rate risk as detailed in *Guidelines to the Treasury Management Policy* should be utilised when a large debt portfolio is being structured. Specialist independent external advice should be sought when using these products.

Meeting Legislative Requirements

Council's debt management must meet all relevant legislative requirements.

The concept of the prudent person as described by the Trustee Amendment Act 1988 must always be to the fore when considering risk. Ratepayers, in their own capacity, can make decisions on borrowings but may have different concerns regarding the types of debt Council takes on. Council is not an organisation whose function primarily is dealing in liability management.

Council officers and elected members have a duty to ensure that borrowings are undertaken as per the criteria set out in this policy.

Controls and Procedures for Borrowing

Internal controls and procedures for borrowing are to be clearly documented. These procedures are detailed in separate *Guidelines to the Treasury Management Policy*

Management of borrowing

When entering into a borrowing transaction, factors such as the type of debt, term of the debt, its all-up cost (including any ancillary internal and external costs) and its compatibility with the existing debt portfolio shall be considered.

At various times it may be possible to refinance a debt in such a way as to reduce the total costs of the transaction. Any such refinancing must take into account the cost/benefit characteristics of the proposed transaction and how the transaction fits within the context of other sections of this policy.

Council will maintain an overdraft facility of at least $500,000 for day to day cash management purposes.

Council will consider both “interest only” and “principal and interest” repayment loans at the time of raising a loan. If “interest only” loans are raised a funding reserve will be set up to accumulate funds until principal repayments are required as per the applicable loan agreement.

Where possible, Council will secure borrowing against rates revenue in order to gain lower borrowing costs. Physical assets will only be pledged where:

- There is a direct relationship between the debt and the asset purchase/construction e.g. operating lease or project finance
- Council considers a pledge of physical assets to be more appropriate than a pledge of rates

Debt instruments

The following funding instruments and methods may be used to raise external debt:

- Committed bank facilities
- Uncommitted bank facilities
- Commercial Paper issued by Council or the LGFA
- Local Authority debt instruments issued by Council which include Fixed Rate Bonds and Floating Rate Notes.
- LGFA debt.

Long-term debt limits

Debt should be maintained within the following limits:

- Net interest costs to be less than 20% of total revenue
- Net interest costs to be less than 25% of total rates revenue
- Net debt shall not exceed 250% of total revenue.
- Available financial accommodation to external indebtedness to be greater than 110%

Refer to the Financial Strategy section of the Long Term Plan 2021-31 for more information on Council’s debt limits.

Fixed rate hedging percentages

Term	Minimum Fixed Rate Amount	Maximum Fixed Rate Amount
0-2 years	40%	100%
2-4 years	20%	80%
4-8 years	0%	60%

Fixed rate hedging in excess of 8 years is permissible provided that it is carried out in conjunction with, or aligns with, an underlying debt instrument.

The fixed rate hedging percentages shall apply to the core debt of Council as detailed in the Long Term Plan/ Annual Plan or as otherwise amended by the Group Manager Business Support. However, if core debt is less than $15 million interest rate hedging is at the discretion of the Group Manager Business Support.

Debt repayment

Council will make provision for the repayment of debt over the life of the asset for which the loan has been raised, however it is not possible or practical in many circumstances to match the life of an asset with the underlying debt. This will be achieved either by making regular loan repayments or provision of sinking funds to be used to extinguish debt at a future time.

Authorised interest rate risk management instruments: The Finance Manager may use the following interest rate risk management instruments to manage the core debt of Council.

- Forward rate agreements
- Interest rate swaps
- Forward start interest rate swaps
- Swaptions (options on swaps)
- Interest rate options
- Interest rate collar type structures but only in a ratio of 1:1

It is recognised that the issuance of Fixed Rate Bonds is an acceptable method of achieving compliance with the fixed rate hedging percentages.

Definitions of the above instruments are contained in *Guidelines to the Treasury Management Policy*.

Management of funding and liquidity risk: Council must ensure that it has sufficient funds available to meet its obligations as they fall due. Liquidity is improved by maintaining a diversified portfolio of debt and investment with varying degrees of liquidity and maturity dates. This is necessary to allow Council to access funds before maturity should the need arise and to prevent large amounts of debt falling due at the same time.

To avoid a concentration of debt maturity dates, where practicable no more than 50% of total debt can be refinanced in any rolling 12 month period.

Council must maintain access to liquidity of not less than 110% of projected core debt. Liquidity can include committed bank facilities, bank cash and term deposits and fixed interest investments. Core debt is defined as that contained in the Long Term Plan/ Annual Plan or as otherwise determined by the Group Manager Business Support.

Internal borrowing

Internal borrowing against the investment pool Council maintains may be used in lieu of external borrowing. This policy applies whether the loans are internal or external and is governed by the policy covering Council investments in the document.

Local Government Funding Agency

Despite anything earlier in this Liability Management Policy, the Council may borrow from the New Zealand Local Government Funding Agency Limited (LGFA) and, in connection with that borrowing, may enter into the following related transactions to the extent it consider necessary or desirable:

- Contribute a portion of its borrowing back to the LGFA as an equity contribution to the LGFA
- Provide guarantees of the indebtedness of other local authorities to the LGFA and of the indebtedness of the LGFA itself
- Commit to contributing additional equity (or subordinated debt) to the LGFA if required
- Subscribe for shares and uncalled capital in the LGFA
- Secure its borrowing from the LGFA and the performance of other obligations to the LGHFA or its creditors with a charge over the Council's rates and rates revenue.

Part III – Accountability

[Clauses 2.1 and 2.2 of Part III transferred to the *Guidelines to the Treasury Management Policy*.]

Reporting

To ensure that the Treasury Management Policy is being adhered to, the Group Manager Business Support must keep abreast of significant changes in the market which could lead to an alteration in policy, strategy or the nature of investments or liabilities held. The Group Manager Business Support is responsible to Council to ensure the policies are adhered to and should report to either Council or the Chairman of the responsible Standing Committee on a regular basis providing relevant details of the portfolio excluding property.

For financial market investments, the Finance Manager will submit a monthly summary report (as contained in Council's financial variance report) to Council or the responsible Standing Committee outlining:

- term of investments
- interest rates
- movements in portfolio
- any other appropriate measures contained in this policy.

For property investments, the Property Manager and District Forester will submit an annual property investment report to either Council or the responsible Standing Committee detailing:

- investments held (Commercial and Non-commercial)
- the rate of return received by investments (Commercial and Non-commercial)
- confirming adequate insurances are held where appropriate
- movements in portfolio
- maintenance of assets has been carried out as per the relevant asset plan
- revaluations have been carried out where applicable.

For the debt portfolio, the Finance Manager shall present a monthly report to Council or the responsible Standing Committee which contains the following:

- Total debt facility utilisation, including any debt sourced from a bank, the capital markets and the LGFA
- Interest rate maturity profile against percentage hedging limits
- New hedging transactions completed – interest rate risk management
- Weighted average cost of funds
- Funding profile against the policy limits
- Liquidity profile against the policy limits
- Exception reporting as required
- Summary of any unresolved exception reports
- Statement of policy compliance

Appendix I

Authorised investment criteria for short term funds and long term funds

Authorised Asset Classes	Overall Portfolio Limit as a Percentage of the Total Portfolio	Approved Financial Market Investment Instruments (must be denominated in NZ dollars)	Credit Rating Criteria – Standard and Poor's (or Moody's or Fitch equivalents)	Limit for each issuer subject to overall portfolio limit for issuer class
New Zealand Government	100%	• Government Stock • Treasury Bills	Not Applicable	Unlimited
Rated Local Authorities	70%	• Commercial Paper • Bonds/MTNs/FRNs	Short term S&P rating of A-1 or better Long term S&P rating of BBB or better Long term S&P rating of A- or better Long term S&P rating of A+ or better Long term S&P rating of AA- or better	$3.0 million $1.0 million $2.0 million $3.0 million $4.0 million
Local Authorities where rates are used as security	60%	• Commercial Paper • Bonds/MTNs/FRNs	Not Applicable	$2.0 million $2.0 million
New Zealand Registered Banks	100%	• Call/Deposits/Bank Bills/Commercial Paper • Bonds/MTNs/FRNs	Short term S&P rating of A-1+ Short term S&P rating of A-1 Long term S&P rating of BBB or better Long term S&P rating of A- or better Long term S&P rating of A+ or better Long term S&P rating of AA – or better	$20.0 million per bank $7.5 million per bank $1.0 million $2.0 million $3.0 million $4.0 million
State Owned Enterprises	70%	• Commercial Paper • Bonds/MTNs/FRNs	Short term S&P rating of A-1 or better Long term S&P rating of BBB or better Long term S&P rating of A- or better Long term S&P rating of A+or better Long term S&P rating of AA- or better	$3.0 million $1.0 million $2.0 million $3.0 million $4.0 million

Corporates	60%	• Commercial Paper • Bonds/MTNs/FRNs	Short term S&P rating of A-1 or better Long termS&P rating of BBB or better Long term S&P rating of A- or better Long term S&P rating of A+ or better Long term S&P rating of AA -or better	$3.0 million $1.0 million $2.0 million $3.0 million $4.0 million
Financials	30%	• Commercial Paper • Bonds/MTNs/FRNs	Short term S&P rating of A1 or better Long term S&P rating of BBB or better Long term S&P rating of A- or better Long term S&P rating of A+ or better Long term S&P rating of AA- or better	$3.0 million $1.0 million $2.0 million $3.0 million $4.0 milliom

The combined holdings of corporates and financials shall not exceed 70% of the portfolio

The combined holdings of entities rated BBB and/or BBB+ shall not exceed 25% of the portfolio

Appendix II

[All of Appendix II transferred to *Guidelines to the Treasury Management Policy*]

Appendix III

[All of Appendix III transferred to *Guidelines to the Treasury Management Policy*]