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# ParagonCare

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## Treasury Policy

Paragon Care Limited

ACN 064 551 426

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## **1. Purpose**

- 1.1 The purpose of this policy is to establish guidelines and controls to ensure that Paragon Care Limited's (**Company**) funds are managed appropriately.
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## **2. Authority and Responsibility**

- 2.1 The Group General Manager of Finance and Operations has primary and day-to-day responsibility for implementing this policy, and for monitoring its use and effectiveness and dealing with any queries on its interpretation. Management at all levels are responsible for ensuring those reporting to them are made aware of and understand this policy and are given adequate and regular training on it.
- 2.2 The policy outlines those risks which are to be managed by the Audit and Risk Committee and how they are to be managed.
- 2.3 The Board of Directors has overall responsibility for ensuring this policy is appropriate and that all those under our control comply with it.
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## **3. Policy Statement**

- 3.1 The Company faces a wide range of financial and commercial risks. This policy outlines those risks which are to be managed by the Audit and Risk Committee and how they are to be managed. This policy has been prepared based on the following philosophies:
- (a) Cash is a Corporate asset to be used for maximum value across the Company and should be managed by the Treasury Department of the Company;
  - (b) Speculative transactions are not permitted;
  - (c) Treasury operates as a service centre, not a profit centre; and
  - (d) The Company's treasury function will centrally manage financial funding for the company.
- 3.2 The operating activities of treasury will include the following:
- (a) Ensuring there is sufficient liquidity for day-to-day requirements as well as unexpected business disruptions;
  - (b) Central management of the Company's liquidity including surplus cash and short-term facilities;
  - (c) Central management of interest rates associated with any borrowing and investment of surplus funds;
  - (d) Central management of foreign currency funding associated with transactional cash flows and translation of overseas net assets;
  - (e) Management of credit and operational risks arising from treasury activities; and
  - (f) Management of bank relationships and the credit process.

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## **4. Scope**

4.1 The treasury function within the Company is responsible for the management and recommendations to the Board of the following risks:

- (a) Liquidity and funding;
- (b) Interest rates and deposit maturity;
- (c) Counterparty credit risk;
- (d) Operational risk; and
- (e) Foreign currency mix recommendations.

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## **5. Recognition of Liquidity Requirements and Risk**

5.1 Liquidity requirements and risk management is associated with ensuring that there are sufficient funds available to meet the Company's financial commitments in a timely manner. It is also associated with planning for unforeseen opportunities and events which are advantageous and those which may curtail cash flows and cause pressure on liquidity.

The possible causes of liquidity crisis include:

- (a) Unplanned reduction in revenue;
- (b) Fraudulent activities
- (c) Business disruption;
- (d) Unplanned operating or capital expenditure; and
- (e) Sustained reduction in profitability.

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## **6. Treasury Operating Objectives**

6.1 The objectives relating to the management of financial risks are as follows:

### **6.1.1. Liquidity and Funding**

- (a) Ensure that, at all times, the Company has access to sufficient cash resources to meet its financial obligations as they fall due including taxes and provide funds for capital expenditure and investment opportunities as they arise.
- (b) Ensure that the Company has sufficient excess liquidity to meet its non-discretionary financial obligations in the event of unexpected business disruption.
- (c) Ensure compliance with any borrowing facilities covenants and undertakings.

### **6.1.2. Interest Rate**

- (a) Ensure compliance with interest cover covenants, where applicable if any, under the Company's borrowing facilities.
- (b) Manage the net interest rate exposure to assist in protecting the Company's solvency.

### **6.1.3. Counterparty Credit Risk**

The purpose of establishing acceptable counterparties is to ensure that the Company deals with creditworthy counterparties and that term risk is addressed. Credit risk is defined as the risk of sustaining a loss as a result of the default by a counterparty including banks that has:

- (a) issued, accepted or endorsed a security in which the Company has invested;
- (b) accepted a deposit from the Company; and
- (c) entered into a hedging transaction with the Company related to the management of financial risks.

Authorised counterparties and counterparty term limits are to be established within the parameters described in this section. The current list of authorised counterparties is contained in Appendix A. The Company can commit to investment and derivative transactions with approved creditworthy counterparties and in accordance with approved terms (see Appendix A).

### **6.1.4. Operational Risks**

- (a) Ensure that the treasury function is operating in a controlled manner; and
- (b) Dual authorisation in accordance with delegation authority to ensure sufficient control over payments and transfers.

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## **7. Boundaries / Guiding Principles**

- 7.1 The Company's reporting currency is AUD.
- 7.2 The Company's revenues and the bulk of its costs are in AUD.
- 7.3 The Company will retain sufficient cash in AUD to cover forecasted costs as appropriate.
- 7.4 The Company can commit up to 90% of funds in Term deposits of no longer than one month.
- 7.5 Subject to Board approval, funds in Term deposit may invest for longer period than one month.

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## **8. Record-keeping**

- 8.1 A Treasury register will be maintained and updated when treasury transactions occurs, and a Treasury summary is to be provided at every scheduled Board meeting.

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## **9. Monitoring and review**

- 9.1 The Group General Manager of Finance and Operations will monitor the effectiveness and review the implementation of this policy and regularly consider its suitability, adequacy and effectiveness. Any improvements identified will be made as soon as possible.
- 9.2 Internal control systems and procedures will be subject to regular audits to provide assurance that they are effective.
- 9.3 This policy does not form part of any employee's contract of employment and it may be amended at any time.

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**10. Policy Review**

- 10.1 This policy cannot be amended without approval from the Company's Board. This Policy will be reviewed from time to time to ensure that it remains effective and meets best practice standards and the needs of the Company.

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**11. Approved and adopted**

- 11.1 This policy was approved and adopted by the Board on 28 October 2019.

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## Appendix A: Counterparty Credit Exposure Limits

Limits for counterparties will be set by reference to long-term credit rating for each counterparty. Those approved by the Board are set out in the table below:

<b>Counterparty</b>	<b>Credit Rating</b>	<b>Term Limit</b>
ANZ	AA	1 month or a period approved by the Board
Wespac	AA	1 month or a period approved by the Board
NAB	AA	1 month or a period approved by the Board
CBA	AA	1 month or a period approved by the Board