



Foreign Exchange Risk Management Policy

Paragon Care Limited

ACN 064 551 426

1. Policy approval and Application

- 1.1 This document is approved by the Board and no part of the document may be amended without the Board's approval. The approved document includes the body of the document, the appendices and any explanatory documents.
- 1.2 The policy is to be reviewed and approved on a two yearly basis (or earlier if required). The policy is applicable to the whole organisation including any wholly owned subsidiaries.
- 1.3 There may be some differences in the application of this policy in different subsidiaries and countries we operate in.

2. Recognition of Currency Risk

- 2.1 Foreign exchange **transaction risk** is the risk that Paragon Care (PC) cash flows and earnings will be adversely affected by movements in exchange rates, which will increase the Australian (AUD) value of foreign currency expenses or payables or will diminish the AUD value of foreign currency revenues or receivables, given the AUD reporting currency of the group.

Transaction risk is managed on a net cash flow basis as outlined in the document.

- 2.2 Foreign exchange **translation risk** relates to the effect of currency market movements on the value of a company's net assets denominated in foreign currencies when those values are translated into the reporting currency for accounting purposes.

Translation risk is not managed on an ongoing basis but will be reviewed periodically and may be considered in specific events, for example; business sale/acquisition, capital structure.

3. Framework Objectives

- 3.1 PC primary objective in hedging the transactional currency risk is to ensure that foreign currency revenues or payables are protected against adverse movements in the foreign exchange market.
- 3.2 PC secondary objective is to implement a currency hedging methodology that allows some participation in favourable currency moves in the short to medium term without jeopardising the primary objective.
- 3.3 Overall, PC objective is to minimise currency risk when appropriate and not to participate in foreign currency speculation.

4. Measurement of Foreign Exchange Transactional Risk

- 4.1 Transactional Risk will be measured by projecting the net foreign currency cash flows in a table of each currency to which PC has an exposure.
- 4.2 Contracts that include clauses to automatically adjust for movements in exchange rates (Rise and Fall contracts) - foreign currency expenses/payables or revenues/receivables subject to rise and fall contracts which are enforced by PC are to be excluded from forecast exposure calculations.

5. Management of Foreign Exchange Transactional Exposure

- 5.1 Responsibility for managing FX transaction risk resides with the Finance function, which is headed by the CFO – Transactional limits shown in appendix A
- 5.2 The CFO will report to the Board on a monthly basis for PC:
- (a) The level of exposures,
 - (b) The associated hedges,
 - (c) Compliance with hedging limits,
 - (d) Sample report is shown in appendix B;
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6. Method of Hedging Transaction Exposure

- 6.1 The method applies hedges to forecasted foreign currency cashflows on a rolling twenty four (24) month basis within the following parameters:

Hedge Matrix	1-3 Months	4-6 Months	7-9 Months	10-12 Months	13-24 Months
Policy Maximum	100%	70%	50%	20%	
Policy Minimum	80%	50%	30%		0%



- 6.2 The above matrix is designed to smooth the impact of foreign currency risk on Paragon Care and is in line with its budgeting, revenue and buying cycle. It seeks to enforce minimal hedging as revenue and procurement contracts are finalised in future periods.
- 6.3 As the policy is maintained on a rolling twenty four (24) month basis, this will also ensure hedging is proactively executed.
- 6.4 Forecast currency cash flows of up to A\$250,000 (equivalent) per month will be monitored but are not required to be hedged.
- 6.5 Transactions from some of our foreign subsidiaries may be excluded from hedging due to complications or foreign banking and financial regulation and processes.
- 6.6 Hedging strategies are to be managed across PC .
- 6.7 CAPEX expenditure in PC ANZ with certainty of payment and timing of exposure can be hedged up to 100% - reporting to be captured and monitored separately to net cash flow exposure reporting.

7. Authorised Instruments & Arrangements

- 7.1 The following lists the hedging instruments are currently authorised for managing currency risk:
- (a) **Spot Deals** - spot deals are based on the current market price.
 - (b) **Forward Exchange Contracts** - a forward contract is the obligation to buy/sell a stipulated amount of currency at a predetermined rate on a specific date in the future. The forward exchange rate is determined by applying a premium/discount to the spot rate, based on the interest rate differentials between the two currencies and the time to settlement.
 - (c) **Market Orders** - a market order is an instruction given to a foreign exchange counterparty to automatically (without further reference to Paragon Care) buy or sell a currency when the market hits a predetermined level.
- 7.2 All hedging instruments relating to the management of currency risk must be denominated in the currencies of the underlying exposures.
- 7.3 **Currency Swaps** - a currency swap is the simultaneous sale and purchase of a currency pair, most often between spot and a specific date in the future that obligates the parties to trade at a fixed rate on both legs of the deal.
- 7.4 A **stop loss order** – whereby a market order is triggered when the market hits a predetermined level, may constitute cover under the policy only if it is permanent and cannot be moved further ‘out of the money’.
- 7.5 **Purchased Foreign Currency Options** - a vanilla option (European) is the right but not the obligation to buy or sell a specific amount (notional) of a given currency at a specified price (strike) on a specific date in the future.
- Options may only be sold under the following circumstances:
- To close out an existing purchased option
 - To construct a foreign exchange collar or similar structured product
- 7.6 **Historic Rate Rolls (HRRs)** - the extension of the settlement date rather than requiring the existing derivative transaction to be cancelled and a new transaction entered into at current spot or forward rates.
- HRRs should only be used to align hedging instruments with forecast cash flows
 - Under no circumstances should HRRs be used to unnecessarily defer out of the money hedges
 - Rolled hedges are to be reported to the Group Financial Controller on a monthly basis

8. Further assistance

- 8.1 Any questions regarding this Policy should be directed to the Chief Financial Officer.

9. Approved and Adopted

- 9.1 This Policy was approved and adopted by the Board on 27 February 2024.

Appendix A – Transactional Limits

The Board has delegated authority to the below approved stakeholders to enter into transactions. These limits are subject to variation from time to time as approved by the Board. Subject to counter-party limits, transaction limits are:

Paragon Care:

Role	Contracts	Annual Value	Individual Contract Value
Chief Executive Officer	Purchase of FX hedge & derivative products (within treasury policy)	A\$120m	A\$10m
Chief Financial Officer	Purchase of FX hedge & derivative products (within treasury policy)	A\$120m	A\$10m
Group Financial Controller	Purchase of FX hedge & derivative products (within treasury policy, as advised by Rochford)	A\$72m	A\$6m
Head of Commercial Finance A & NZ	Purchase of FX hedge & derivative products (within treasury policy, as advised by Rochford)	A\$72m	A\$6m
Group Treasury Manager	Purchase of FX hedge & derivative products (within treasury policy, as advised by Rochford)	A\$60m	A\$5m

Appendix B – Sample Report

Paragon Australia



USD Risk Management Report

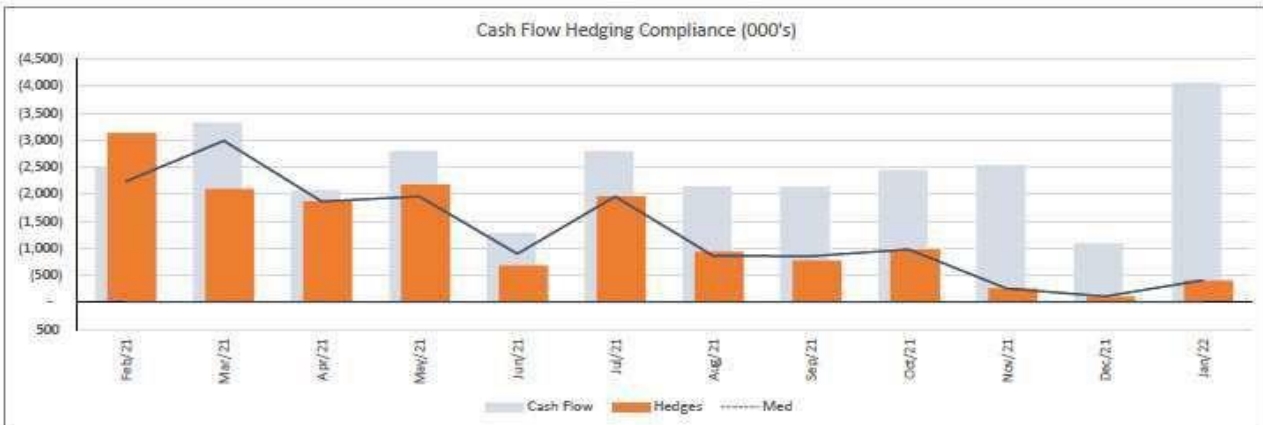
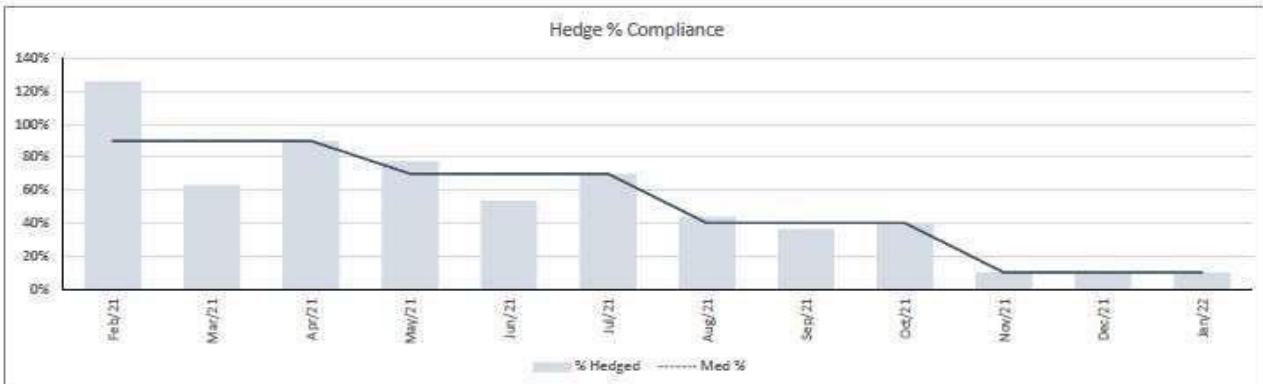
As of: 17/Feb/21

All values in USD

Paragon Policy for Australian Subsidiary

Financial Year	2021	2022
Budget Rate	0.6500	0.0000
W.A. Hedge Rate	0.7339	0.7563

Exposures Hedged	W.A Policy Requirement		Compliant
	Min	Max	
53%	53%	53%	Yes



Month	Cash Flow	Hedges	Exposure	Min	Add. for Min	Max	Add. for Max	% Hedged	Min %	Max %	Monthly Av. Deal Rate	Quarterly Av. Deal Rate
Feb/21	(2,481,268)	(3,127,740)	646,472	(2,233,141)	(894,599)	(2,233,141)	(894,599)	126%	90%	90%	0.7333	
Mar/21	(3,320,795)	(2,094,000)	(1,226,795)	(2,988,716)	894,716	(2,988,716)	894,716	63%	90%	90%	0.7178	0.7285
Apr/21	(2,073,643)	(1,866,000)	(207,643)	(1,866,279)	279	(1,866,279)	279	90%	90%	90%	0.7324	
May/21	(2,797,066)	(2,168,000)	(629,066)	(1,957,946)	(210,054)	(1,957,946)	(210,054)	78%	70%	70%	0.7378	
Jun/21	(1,280,613)	(606,000)	(594,613)	(896,429)	210,429	(896,429)	210,429	54%	70%	70%	0.7778	0.7470
Jul/21	(2,797,053)	(1,958,000)	(839,053)	(1,957,937)	(63)	(1,957,937)	(63)	70%	70%	70%	0.7465	
Aug/21	(2,145,828)	(940,000)	(1,205,828)	(858,331)	(81,669)	(858,331)	(81,669)	44%	40%	40%	0.7558	
Sep/21	(2,132,009)	(771,000)	(1,361,009)	(852,804)	81,804	(852,804)	81,804	36%	40%	40%	0.7564	0.7584
Oct/21	(2,440,117)	(976,000)	(1,464,117)	(976,047)	47	(976,047)	47	40%	40%	40%	0.7627	
Nov/21	(2,538,206)	(256,000)	(2,282,206)	(253,821)	(2,179)	(253,821)	(2,179)	10%	10%	10%	0.7629	
Dec/21	(1,087,301)	(107,000)	(980,301)	(108,730)	1,730	(108,730)	1,730	10%	10%	10%	0.7782	0.7740
Jan/22	(4,058,713)	(406,000)	(3,652,713)	(405,871)	(129)	(405,871)	(129)	10%	10%	10%	0.7799	
Total	(29,152,614)	(15,355,740)	(13,796,874)	(15,356,053)	313	(15,356,053)	313	52.7%	52.7%	52.7%	0.7418	0.7418

Appendix C – Transactional Limits

Authorised Instruments Typical Guidelines for Usage

***Note these guidelines do not form part of the risk management policy**

(a) **Forward Exchange Contracts or similar permitted instruments** typically:

- Form the majority of an overall hedge book ~90-100%
- Used to hedge cash flows with a high degree of certainty
- Used to protect cash flows against adverse movements in currency markets

(b) **Foreign Currency Bank Balances** typically:

- Form a minority of overall hedge book ~0%-10%
- Used to complete FX payments