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## Introduction

Kyeema Foundation (KYEEMA) is a non-governmental organisation that works predominantly to reach poorer members of communities in developing countries. KYEEMA is committed to minimising the effects of adverse exchange rate fluctuations and ensuring financial certainty for its projects.

## Purpose

This policy outlines general regulations for the management and administration of foreign exchange risk.

## Guiding Principles

This policy is based on the following principles:

- accountability to all stakeholders;
- financial certainty and risk mitigation; and
- honesty and transparency in all dealings.

## Scope

This policy applies to all foreign currency transactions to which KYEEMA is exposed.

## Definitions

For the purposes of this policy:

**Finance, Audit and Risk Management Committee** is the Board committee responsible for overseeing this policy.

**Foreign Exchange Risk** is the risk that KYEEMA's operations will be affected by changes in currency exchange rates.

**Foreign Currency** is all currencies other than the Australian Dollar (AUD).

**Forward Exchange Contract (FEC)** is an agreement between two parties to exchange a specified amount of one currency for another currency at a specified foreign exchange rate on a future date.

**Foreign Exchange Hedge** is a forward exchange contract.

**Foreign Exchange Rate** is the price at which one currency can be bought with or sold for another currency.

**Spot Rate** is the current rate of exchange between two currencies.

## Policy statement

Foreign currency exchange risk, if not identified and managed appropriately, can have significant financial impacts for KYEEMA, its staff, partners and other project stakeholders.

The primary sources of KYEEMA's foreign currency exchange exposures are:

1. Foreign currency income associated with grants

2. Foreign currency expenditures associated with grants
3. General payments dominated in foreign currency

### Management of Risk Exposures

KYEEMA will actively identify foreign exchange exposures and risks. To reduce foreign exchange exposure arising out of offshore contracts, KYEEMA will seek to have contracts denominated in the currency that the Contract is held in.

Where it is not practical for contracts to be denominated in Australian dollars, KYEEMA will adhere to its foreign currency exchange management procedures outlined in Attachment 1.

KYEEMA has not used hedging instruments to date. KYEEMA intends only to use hedging instruments in the future if currency holdings are, or are forecasted to be, insufficient to meet KYEEMA's foreign currency payment commitments. This is not anticipated to occur.

### Responsibilities

Adherence to this policy, the procedure and operational guidelines is mandatory for all foreign currency transactions to which KYEEMA is exposed.

The CEO will be responsible for all foreign currency purchases in accordance with this policy.

The CEO in consultation with the Finance, Audit and Risk Management Committee, is responsible for the implementation of this policy and for advising on the need to review or revise this policy as and when the need arises.

Where issues related to compliance to this policy are identified, the CEO will work with staff and other relevant stakeholders to address these issues promptly. The policy will be reviewed every three years and revised as needed, with the approval of the Board.

### Information Resources

ACFID Code of Conduct – Commitment 8.2: We ensure that funds and resources entrusted to us are properly controlled and managed.

### Related Documents

This policy is to be read in conjunction with:

*Kyeema Foundation Fraud Control and Anti-Corruption Policy*

*Kyeema Foundation Organisational Risk Assessment and Management Strategy*

### Authorisation

  
\_\_\_\_\_  
Signature of Policy Officer

  
\_\_\_\_\_  
Name of Policy Officer

  
\_\_\_\_\_  
Date

### Attachment 1 Procedures

The main foreign currencies traded by KYEEMA are the United States Dollar (USD) and the Euro (EUR). Due to the nature of KYEEMA's work, KYEEMA often handles exotic currencies, including but not limited to Mozambican Metical (MZN), Malawi Kwacha, Zambian Kwacha, Ethiopian Birr and Papua New Guinea Kina (PGK). These exotic currencies, depending on the political environment, can be volatile.

#### **Contracts in foreign currency**

USD amounts are to be deposited to KYEEMA's USD foreign currency account. EUR amounts are to be deposited to KYEEMA's EUR foreign currency account. All other currencies are to be deposited to the AUD general operating account.

#### **Identification**

Where KYEEMA considers that it may face a foreign currency exchange risk, it should seek to identify the risk. For example, there may be a need to purchase equipment where the supplier requires that payment must be made in a foreign currency.

#### **Managing exposure**

Permitted instruments are spot trades or FEC. Holding foreign currency is also permitted. Other instruments may be approved by the Board.

Foreign Exchange Hedges should normally not extend beyond a twelve-month time horizon from the current date as the uncertainty of future cash flows usually increases with time, unless required for longer-term spending commitments in a foreign currency.

Permitted instruments will be executed with an appropriate counterpart being a financial institution that has a current credit rating of at least Investment Grade A using Standard and Poor's long-term ratings (or the equivalent of another rating agency).

When a hedge is to be entered into, KYEEMA will seek a quote from at least two different appropriate counterparties. The most competitive quote should be selected, subject to available credit limits.

#### **Projects awarded in AUD requiring goods or services in foreign currency**

For contracts awarded in AUD but requiring goods or services in a foreign currency, KYEEMA will hold the funds in AUD and exchange as required. A maximum of three month's funding at any given time can be provided to partners, to minimise foreign currency exposure. If the CEO deems that the stability of the government and state of the foreign currency is not adequate, funds will only be paid up to one month in advance.

