

ETHICAL TREASURY MANAGEMENT POLICY

This Ethical Treasury Management Policy provides the framework for the responsible management of the University's cash flow, cash investments, borrowing, and associated risks.

ORGANISATION: FALMOUTH UNIVERSITY

APPLIES TO: STAFF & STUDENTS

POLICY OWNED BY: CHIEF FINANCE OFFICER

REQUIRED CONSULTEES: UNIVERSITY EXECUTIVE BOARD, RESOURCES COMMITTEE

APPROVED BY: BOARD OF GOVERNORS

DATE APPROVED: 24 APRIL 2026

REVIEW DATE: 24 APRIL 2029

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INTRODUCTION

Falmouth University is committed to managing its financial resources efficiently, securely and ethically, ensuring liquidity, minimising risk, and optimising returns on cash deposits and cash investments.

Falmouth University is a charity. This means it has no shareholders or owners expecting a return on investment, and any surplus income is re-invested back into the delivery of Falmouth University's [Mission, Vision and Values](#): delivering exceptional higher education and research, harnessing the fusion of creativity and technology as foundations of the future economy; and using knowledge and expertise in these disciplines to generate positive and sustainable opportunities for all.

This Ethical Treasury Management Policy provides the framework for the responsible management of the University's cash flow, cash investments, borrowing, and associated risks. The policy aligns with the University's [Mission, Vision and Values](#), while supporting financial targets and ensuring compliance with Falmouth University Finance Regulations.

In addition to ensuring our cash investment management practices achieve strong financial outcomes, Falmouth University is committed to taking reasonable steps to ensure that cash investment decisions are socially and environmentally responsible.

Our [Ethical Framework](#), grounded in the Nolan Principles of Public Life, details the principles, codes, commitments, policies and procedures that promote ethical principles and values across the University. This policy is underpinned by our Ethical Framework.

1 KEY DEFINITIONS

- **Assets** – property owned by the University, regarded as having value and available to meet commitments.
- **Borrowing** – money taken out by the University, normally on a fixed term basis, for investment purposes and on which interest is payable.
- **Cashflow** – the movement of cash across the University.
- **Corporate sustainability** – is defined by the UN Global Compact ten principles for business encompassing Human Rights, Labour, Environment and Anti-Corruption. The ten principles are derived from the Universal Declaration of Human Rights, the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development, and the United Nations Convention Against Corruption.
- **Counterparty** – a financial organisation that acts on behalf of the University, normally by holding the University's cash deposits.
- **Credit** – the ability to borrow money under an agreement that normally expects the debt to be repaid over time.
- **Credit rating** – the independent assessment of the ability of an organisation to repay a debt. Rankings range from AAA to D and are provided by organisations such as Standard & Poor's, Moody's and Fitch (see Appendix 1).
- **ESG** - Environment, Social and Governance.

- **Investments** – the placement of cash with the aim of generating a return to the University.
- **Liquidity** – the ability to settle short-term liabilities easily and on time.
- **Money market funds** – a type of mutual fund that invests in low-risk, short-term debt instruments.
- **Risk management** – identifying the potential downsides in any investment decision and deciding whether to accept the risks or take measures to mitigate them.
- **Treasury activities** – cash management, investments, borrowings, and risk management.

2 PURPOSE

2.1 The Ethical Treasury Management Policy operates in alignment with the University's Mission, Vision and Values, and its main objectives are to:

- 2.1.1 Ensure sufficient liquidity to meet financial obligations.
- 2.1.2 Safeguard the University's assets and optimise returns on investments (which, for Falmouth University, normally covers cash held on deposit i.e. in a savings interest-earning account provided by a bank or building society).
- 2.1.3 Minimise exposure to financial risks, including interest rate, credit, and liquidity risks.
- 2.1.4 Comply with legal, regulatory, and audit requirements.
- 2.1.5 Support transparency and accountability in managing financial resources ethically and responsibly.

3 SCOPE

- 3.1 This policy covers all treasury activities within the University's direct control.
- 3.2 Falmouth University has three categories of cash investment:
 - Cash deposits held with financial institutions, normally high street banks.
 - Limited investments in associated or subsidiary companies, or other related parties.
 - Limited shares in spin-out companies generated through the University's Launchpad Futures programme.

4 RELATED INFORMATION

- 4.1 This policy forms part of the University's Financial Regulations alongside:
 - 4.1.1 Research Integrity & Ethics Policy
 - 4.1.2 Anti-Bribery Policy
 - 4.1.3 Counter-Fraud Policy
 - 4.1.4 Criminal Finances Act Policy
 - 4.1.5 Anti-Money Laundering Policy
 - 4.1.6 Procurement Policy (including Responsible Procurement)
 - 4.1.7 Strategic Capital Allocation Principles
- 4.2 This policy was developed in consultation with staff and student representatives, with opportunity to engage with the ongoing development of this policy through periodic review.

5 POLICY STATEMENTS

5.1 Cash Management

5.1.1 **Liquidity Management:** the University will maintain sufficient cash balances to meet operational requirements and manage unforeseen financial needs, in accordance with the thresholds approved by the Board of Governors. Cash flow forecasts will be prepared regularly to ensure that liquidity is optimised.

5.1.2 **Bank Accounts:** the University will operate accounts with approved banks to manage cash. Regular reviews of cash holdings will ensure that excess balances are managed such that we maximise returns on cash held whilst balancing the need to meet our commitments when they fall due.

5.1.3 **Credit terms:** the University will set terms for the receipt of debts due and will aim to pay all suppliers within 30 days of invoice date.

5.2 Cash Investment Management

Investments with University cash are primarily cash holdings which vary across the year due to the University's ordinary cashflow cycle. This means that there are periods when excess cash is available to place in some form of deposit account.

There are limited exceptions of strategic investments aligned with the [Mission, Vision and Values](#) that are subject to scrutiny and oversight by the Commercialisation Committee, University Executive Board, Resources Committee and the Board of Governors, in alignment with the limits of authority approved by the Board of Governors.

5.2.1 **Cash Investment Strategy:** the University will avoid investments in high-risk assets or those that do not align with its Mission, Vision and Values.

5.2.2 **Financial Investment Objectives:** the University will aim to invest surplus cash in a way that preserves capital, maintains liquidity, and generates a reasonable return. Investments will be made in low-risk, highly liquid instruments such as government bonds, short-term deposits, and money market funds.

5.2.3 **Ethical Investment Objectives:** the University will aim to invest in well-managed companies that provide products or services which are more environmentally or socially responsible within the market.

5.2.4 Falmouth University recognises that ethical investment is a complex area as the environmental or social impact of some companies may not be immediately obvious or might be contested. We support the principles of responsible investment set out by Ethical Investment Research Services (EIRIS) Ltd, a global ethical investment screening company.

5.2.5 All direct cash investments will be scrutinised in accordance with the ethical investment objectives. This may include, where possible, an assessment of the integrity of the supply chain. In relation to indirect investments, such as tracker funds, this level of

scrutiny will not be possible; but reasonable efforts must be made to ensure that tracker funds do not invest in those companies which are the subject of specific exclusions.

- 5.2.6 **Counterparty Risk:** the University will set limits on investments with individual counterparties to reduce exposure to credit risk. These limits will be reviewed every 3 years (see Appendix 1).

5.3 **Borrowing and Debt Management**

- 5.3.1 **Borrowing Policy:** the University will only borrow for specific capital purposes, with approval from the Board of Governors. Borrowing will be structured to ensure long-term financial stability, balancing short- and long-term debt.

- 5.3.2 **Debt Management:** the University will ensure timely repayment of debt obligations, aiming for a manageable and cost-effective debt structure. Refinancing decisions will focus on securing the best terms available and in line with our Financial and Ethical Investment Objectives.

5.4 **Risk Management**

The main (high/medium) risks have been assessed as follows:

- 5.4.1 **Liquidity risk:** the University will invest in high-quality, low-risk financial instruments (e.g. UK-based deposit accounts or money market funds – see Appendix 1) and will maintain access to contingency financing sources (normally in instant access bank accounts).
- 5.4.2 **Legal/regulatory risk:** the University will ensure that all of its treasury management activities comply with its statutory powers and regulatory requirements.
- 5.4.3 **Fraud/error/corruption risk:** the University will ensure that it has identified the circumstances which may expose it to the risk of loss in its treasury management activities and employ suitable systems and procedures to mitigate these.

Other risks that have been considered but assessed as 'low risk' include Interest rate (inflation) risk, Exchange rate risk, Counterparty risk, Refinancing risk and Market risk.

6 **GOVERNANCE AND OVERSIGHT**

- 6.1 Treasury decisions will be routed in accordance with the approved Scheme of Delegation and explanation of responsibilities included in Appendix 2.
- 6.2 The Executive Director, Finance Audit & Risk will report regularly to University Executive Board and the Board of Governors on treasury activities, performance and risks and will provide an annual report to include performance against agreed KPIs.
- 6.3 This annual report will present key performance indicators including, but not limited to:
- Average cash balances held
 - Average interest earned
 - Average debtors days
 - Average creditor payment days

7 EQUALITY IMPACT ASSESSMENT

- 7.1 The author has checked [here](#) to confirm whether an Equality Impact Assessment is required and confirms that an Equality Impact Assessment is **not required**.

8 CONTACT FOR FURTHER INFORMATION

- 8.1 The responsibility for implementing the policy lies with the Chief Finance Officer, Director of Finance and the Finance Department.

Credit and Counterparty Lists

The following table details the Counterparty (i.e. who the University can hold money with), Minimum Credit Rating (i.e. an independent assessment of the financial stability of banks/financial institutions), Limit (i.e. the values up to which holding can be placed based on credit rating) and Period of Investment (i.e. the length of time money is put on deposit) approved by the Board of Governors.

Counterparties	Minimum Credit Rating			Limits	Period
	S&P	Moody's	Fitch		
Institution's current principal banker	A-/A1	A/P1	A-/F1	AAA £25m AA £20m A- £15m	Up to 12 months
UK Bank/Institution	A-/A1	A/P1	A-/F1	AAA £25m AA £20m A- £15m	Up to 12 months
Other Bank	AA/A1	Aa/P1	AA/F1	AAA £10m AA £5m	Up to 12 months
Money Market Funds	AAA	Aaa	AAA	£15m	Up to 12 months

Long term rating definition:

Aaa	Obligations rated Aaa are judged to be of the highest quality, with minimal credit risk.
Aa	Obligations rated Aa are judged to be of high quality and are subject to very low credit risk.
A	Obligations rated A are considered upper-medium grade and are subject to low credit risk.
Baa	Obligations rated Baa are subject to moderate credit risk. They are considered medium-grade and as such may possess certain speculative characteristics.
Ba	Obligations rated Ba are judged to have speculative elements and are subject to substantial credit risk.
B	Obligations rated B are considered speculative and are subject to high credit risk.
Caa	Obligations rated Caa are judged to be of poor standing and are subject to very high credit risk.
Ca	Obligations rated Ca are highly speculative and are likely in, or very near, default, with some prospect of recovery of principal and interest.
C	Obligations rated C are the lowest rated class of bonds and are typically in default, with little prospect for recovery of principal or interest.

Note: Moody's appends numerical modifiers 1, 2, and 3 to each generic rating classification from Aa through Caa. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category.

Short term rating definition:

P-1	Issuers (or supporting institutions) rated Prime-1 have a superior ability to repay short-term debt obligations.
P-2	Issuers (or supporting institutions) rated Prime-2 have a strong ability to repay short-term debt obligations.
P-3	Issuers (or supporting institutions) rated Prime-3 have an acceptable ability to repay short-term obligations.
NP	Issuers (or supporting institutions) rated Not Prime do not fall within any of the Prime rating categories.

Note: Canadian issuers rated P-1 or P-2 have their short-term ratings enhanced by the senior-most long-term rating of the issuer, its guarantor or support-provider.

Responsibilities for Ethical Treasury Management1. Board of Governors

The Board of Governors has specifically reserved to itself the approval of all borrowing and the approval of the Ethical Treasury Management Policy.

- Approve and periodically review the Ethical Treasury Management Policy.
- Receive and review reports on the implementation of the Ethical Treasury Management Policy, as well as treasury management practices and activities.
- Approve the terms and conditions of any proposed borrowing, taking account of the impact of the borrowing, any covenants and provision of security on the overall stability and financial health of the University.
- Budget consideration and approval of annual business plan and financial forecasts.

2. Resources Committee

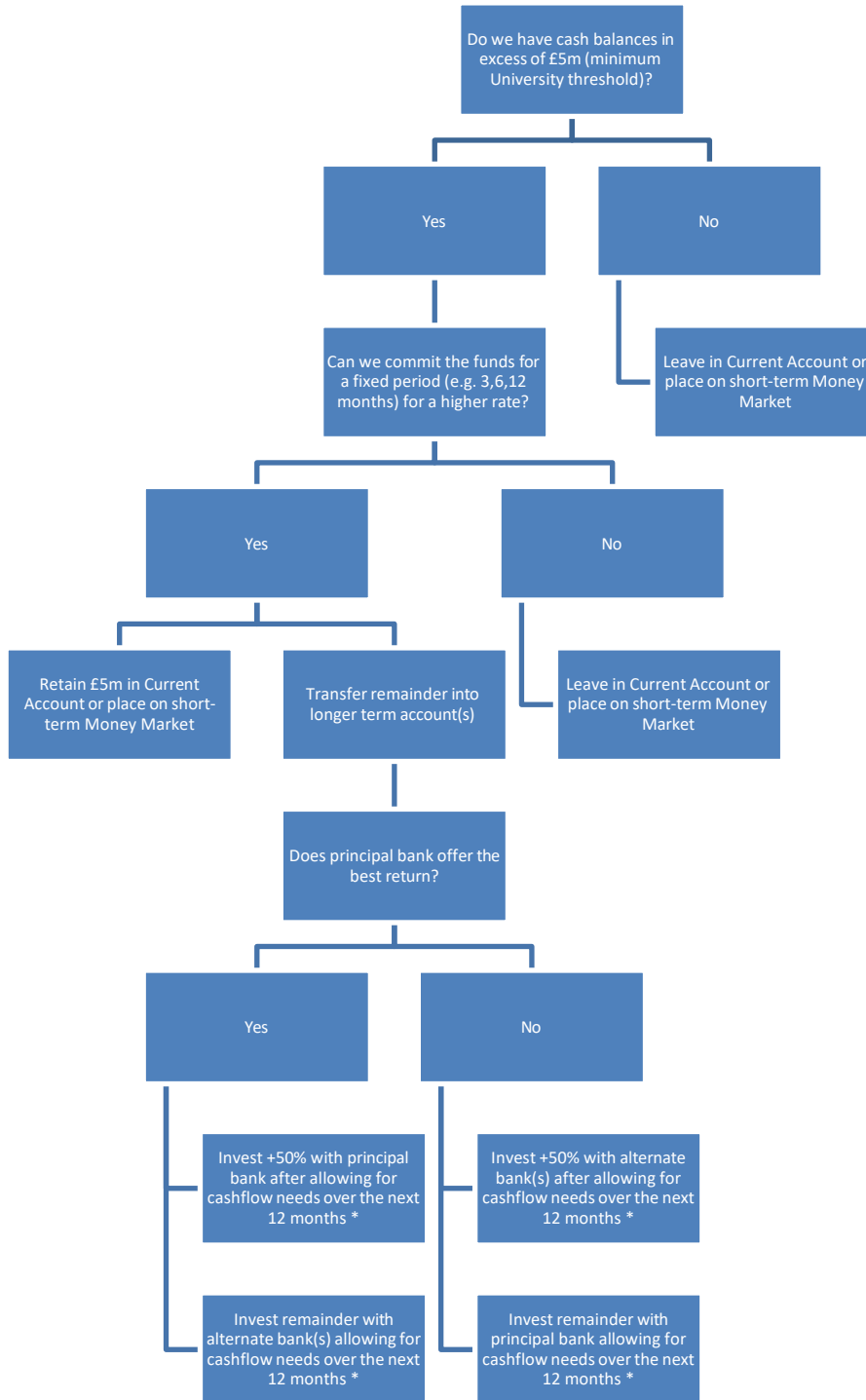
The advice of Resources Committee will normally be sought on any borrowing, as well as cash investments that are within the limits of the Board of Governors.

3. Chief Finance Officer

The Chief Finance Officer, on behalf of the Vice-Chancellor & Chief Executive, will be responsible for and have delegated authority to:

- Prepare an annual business plan and financial forecasts, including cashflow forecasts, for approval by the Board of Governors.
- Negotiate terms and conditions for raising capital finance for approval by the Board of Governors.
- Recommend clauses to be incorporated in ethical treasury management policy, and practices for approval, reviewing and monitoring compliance.
- Submit regular ethical treasury management policy reports.
- Review the performance of the treasury management function and promoting best value reviews.
- Ensure the adequacy of treasury management resources and skills and the effective division of responsibilities within the treasury management function.
- Recommend the appointment of external service providers related to treasury management operations e.g. credit rating agencies and credit brokers.
- Confirmation of bank signatories for the University and its associated entities.
- Execution of cash-related transactions.
- Maintain relationships with third party financial institutions (especially banks and building societies) and external, treasury-related, service providers.
- Supervise other staff involved in treasury management.
- Monitor performance of treasury management on a day-to-day basis.
- Identify and recommend opportunities for improved practices in Ethical Treasury management.

Decision tree for surplus cash investments



* When allocating funds to invest, cross reference existing balances lodged with identified banks and adjust investment approach to align with guideline limits as specified within 'Credit and Counterparty Lists' in appendix 2.