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## Covenant Compliance Monitoring

DATE EFFECTIVE: 31 August 2015

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### 1. Purpose

This policy sets out the requirements in relation to monitoring covenants and financial reporting requirements of clients that are being managed in Financial Restructuring. Most clients will have a condition in their facility agreement requiring the regular reporting of a range of covenants.

This policy provides guidance on how the covenant and financial reporting requirements are to be monitored and actioned within the Bank for those clients that are managed by FR.

#### 1.2 Scope

Compliance with this policy is the direct responsibility of FR Account Managers in cooperation with Account Managers, Credit, and Legal.

This policy does **not** apply to FR Accounts where it has been determined by the FR Manager that collection of covenants is no longer required (for example, because a Receiver has been appointed to the account).

### 2. Policy Statement

The responsibility for collation, checking and reporting of covenant compliance matters is shared among Account Managers and Credit. This is detailed in various procedures – see below. Credit will forward copies of documentation relating to the covenant compliance (the Covenant certificate and checklist) to the FR Manager for noting and for filing.

The FR Manager will determine if a breach letter (or other correspondence) should be prepared and sent to the client in relation to any one breach. Where the FR Manager has requested a letter to be prepared:

1. For **Rural and MAC Accounts**

The Account Manager will draft a breach letter and forward this to the FR Account Manager for their input into the letter. The letter will then be forwarded to Country Banking Legal for final review. The final letter agreed by FR and Legal is issued by the FR Account Manager to the client.

2. For **Wholesale Banking Accounts**

The breach letter is reviewed/drafted by Wholesale Banking Legal with any subsequent amendments to that letter to be approved by each of Wholesale Banking Legal and Wholesale Banking Credit Administration, prior to its issuance by the Account Manager and the FR Manager jointly.

Business Rules	
2.1	The <b>FR Manager</b> should <b>provide a copy</b> of any credit memo, credit review or LSR to the <b>Account Manager</b> , together with any relevant CC minutes, for actioning matters on the file. In addition, the <b>FR Manager</b> should <b>provide a copy</b> of the latest credit memo, review or LSR and/or any updated Letter of Offer or Letter of Variation to the <b>Manager Credit, Securities &amp; Settlements</b> (Country Banking) or to <b>Senior Manager, Credit Administration</b> (Wholesale Banking Credit) (as applicable) for updating the covenant reporting checklists.
2.2	The <b>FR Manager</b> should <b>review</b> any financial covenants or reporting requirements that are incorporated into any <b>new</b> Letters of Offer or Letters of Variation for accounts that are managed in FR as part of the review of that Letter of Offer or Letter of Variation.
2.3	Where relevant, the <b>FR Manager</b> will <b>provide commentary</b> in the <b>next credit review</b> for the FR account in relation to covenant monitoring, any breaches, and actions taken. Where appropriate, the <b>FR Manager</b> will also be <b>responsible</b> for obtaining <b>CC approval</b> to those actions and relevant changes to covenant requirements.

### 3. Supplementary Information

#### 3.1 Related Documents

Documents related to this policy include:

- MAC: [Covenant Compliance and Conditions Subsequent](#)
- [Management of Financial Reporting and Covenant Compliance](#) (Wholesale Banking Credit Procedures)
- [Covenant Compliance](#) Process

#### 3.2 Definitions / Glossary of Terms

Term	Definition
Business	MAC/ Rural/ Wholesale Banking
CC	Credit Committee
MAC	Major Agri Clients
LSR	Loan Strategy Report
FR	Financial Restructuring

#### 3.3 Document Management

Owner:	Head of FR Australia Head of FR New Zealand	Author:	Manager Risk
Authoriser:	Credit Policy Committee	Next Review Date:	31 August 2018