

## 145.030 Non-Debt Derivatives Policy

Board Min. 4-12-13, Amended Bd. Min. 4-17-25

A. **Introduction** - This policy is designed to provide a framework for the management of risk associated with non-debt derivative instruments and similar hedging activities utilized by the University and its component units in connection with:

1. the purchase of fuel, electricity, natural gas, animal feed, livestock, agricultural products or other commodities (“commodities”) used in the ordinary course of the University’s lawful operations; and/or,
2. transactions in commodities for educational or research purposes or programs and/or service activities of the University provided in the ordinary course of its lawful operations.

This policy shall be applicable to option contracts, hedges, forward purchase agreements and similar derivative agreements (individually a “Contract”, “Agreement” or “Derivative Transaction”, and collectively “Contracts”, “Agreements” or “Derivative Transactions”). This policy is intended to be compliant with Section 108.170(~~87~~)(3) of the Revised Statutes of Missouri, as amended from time to time, to the extent, if any, that such section is applicable to the University.

B. **Authorities** - The Board of Curators of the University of Missouri has the ultimate authority to determine the proper means for the management and oversight of the University’s non-debt derivatives. Through this policy, the Board delegates certain specific authorities and responsibilities with respect to the management and oversight of non-debt derivatives, which it has determined to be appropriate as described herein.

Subject to the Guidelines contained in Section D of this policy, the authority to approve the usage of Derivative Transactions as defined in this policy is hereby delegated by the Board to the Vice President for Finance and Administration or her/his designee.

C. **Responsibilities** - The Vice President for Finance and Administration or her/his designees are responsible for the following:

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1. Implement and monitor the Non-Debt Derivative Policy.
2. Review the Non-Debt Derivative Policy on an annual basis, with policy amendments submitted to the Board of Curators as necessary.
3. Maintain accurate records and monitor compliance with any requirements for non-debt derivatives.
4. Establish procedures to monitor the financial exposure and other risks associated with Derivative Transactions subject to this policy.

D. **Guidelines** - The following non-exclusive list provides certain guidelines that the University will follow in the evaluation and approval of Derivative Transactions as defined in this policy:

1. **Legality** - Any proposed Contract must comply within the legal constraints imposed by state laws, University resolutions, and existing covenants, board resolutions, indentures and other contracts.
2. **Permitted Purposes and Corresponding Limitations**
  - a. Derivative Transactions may be used to manage the cost to the University and its component units of purchasing commodities used in the ordinary course of the University's operations. Options, futures contracts and similar Agreements entered into pursuant hereto shall be limited in the financial risk to the University to the amount paid or invested by the University. The maximum aggregate notional amount (i.e., amount at risk) of any outstanding Agreements entered into pursuant to this purpose shall not exceed \$500,000 at any point in time, without Board approval.
  - b. Derivative Transactions may also be used as an educational tool in connection with University course offerings, research and/or University Extension programs. Such Transactions shall be utilized for the purpose of instructing students and program participants in the use of such Transactions, and the management and minimization of risk.

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The maximum aggregate notional amount (i.e., amount at risk) of Agreements entered into pursuant to this authority shall not exceed: (i) as to Agreements which the University has established a funded reserve account related thereto funded from participant fees or contributions, the amount of such reserves, or (ii) as to Agreements without a funded reserve as set forth in clause (i), the aggregate amount of any outstanding Agreements entered into pursuant to this purpose shall not exceed \$100,000 at any point in time, without Board approval.

3. **Mitigation of Risk Factors** - The University recognizes that certain risks will be assumed if it enters into a Derivative Transaction. Potential risks could include counterparty risk, termination risk, collateralization risk, basis risk and bankruptcy risk. In its consideration of whether or not to enter into a Derivative Transaction, and in the actual entrance into such a Derivative Transaction if so determined, the University shall consider recommended practices with respect to the use of derivative products similar to the relevant recommended practices published by the Government Finance Officers Association, if any.
- E. **Exclusions** - Nothing in this policy shall be applied or interpreted to diminish or alter the special or general power the University may otherwise have under any other provisions of law to use derivative instruments and engage in hedging activities other than Derivative Transactions covered by this Policy as defined in Section A. Furthermore, this policy shall not be interpreted to govern or limit transactions and agreements governed by the University's Debt and Derivatives policies and/or Investment policies or, in the case of transactions not derivative in nature between the University and supplier or purchaser of commodities, the University's general regulations applicable to the procurement or sale of goods and services.

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