

# Company Name

## Corporate Credit Policy

### Corporate Credit Policy

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### Corporate Credit Policy

#### Section 1.01

The Purpose of the Credit Policy is to ensure that \_\_\_\_\_ Corporation:

- (a) Assesses risks associated with customers, business segments and transactions to ensure business is conducted with entities that have acceptable financial risk profiles.
- (b) Protects its investment in accounts receivable.
- (c) Optimizes risk reward relationships and minimizes the risk of potential losses from default by customers and partners.

#### Section 1.02

It is the intent that this Credit Policy support and operate in conjunction with all other policies and strategies of \_\_\_\_\_ Corporation.

#### Section 2.01

EnCana Corporation's Audit Committee is responsible for authorizing the Policy and delegating authority to the Chief Financial Officer for implementation and administration of the Policy.

#### Section 2.02

The Chief Financial Officer is also responsible for reviewing the Policy on at least

an annual basis, and has the authority to approve credit limits within the concentration limits as outlined in Article VI of the Policy and delegating credit limit approvals to Financial Risk Management.

### **Section 2.03**

The leadership of the Operating Divisions and Corporate Groups of \_\_\_\_\_ are responsible for ensuring that appropriate operating systems and interfaces are in place to ensure the accuracy, timeliness and integrity of reported information to Financial Risk Management required for credit monitoring and to ensure that their employees are aware of and abide by the Policy.

### **Section 2.04**

The Vice-President, Financial Risk & Internal Audit is responsible for approving credit limits as delegated by the Chief Financial Officer, monitoring and reporting adherence to the Policy and implementing procedures that support the Policy.

### **Section 2.05**

Unless otherwise noted in this Policy, any exceptions to this Policy requires the approval of the President & Chief Executive Officer or the approval of the Chief Financial Officer and one other Executive Vice-President of \_\_\_\_\_ Corporation and these exceptions will be reported at the next available meeting of the Audit Committee.

### **Section 3.01**

A formal credit review and credit limit approval is required on all new customers and financial counterparties for physical commodity and financial transactions, with the exception of established commodity exchanges (e.g. New York Mercantile Exchange).

### **Section 3.02**

A formal credit review and approval is required on suppliers, partners or other counterparties where EnCana has significant financial risk under contractual obligations (e.g. replacement of a partner in a major exploration and development project).

### **Section 3.03**

A credit review and credit limit approval is required at least annually on all active customers and financial counterparties. A credit review and approval is also required at least annually on active suppliers, partners or counterparties issuing security as per Section 4.02.

### **Section 3.04**

As part of the formal credit analysis and approval process, an internal rating will be calculated and assigned to each customer and counterparty. This internal rating scale will follow the Standard & Poor's (S&P) debt ratings scale. The EnCana internal rating results will be tested at least annually against the S&P benchmark.

#### **Section 4.01**

Credit limits may be approved or increased upon receipt of one or more of the following forms of security:

- (a) Irrevocable Standby Bank Letters of Credit.
- (b) Parental guarantees.
- (c) Margin Agreements.
- (d) Cash prepayments.
- (e) Master Netting Agreements which provide for appropriate set off rights on termination.
- (f) Net Out Agreements for a single commodity purchase and sale in the same month between the same corporate entities.
- (g) Credit Insurance.

#### **Section 4.02**

The format and language of the above forms of security require the approval of Financial Risk Management and the Legal department prior to execution.

#### **Section 5.01**

The percentage of the total dollar exposures, calculated on a monthly basis, of counterparties rated internally BB and below shall not exceed 20% of the total consolidated credit exposure. Also, the percentage of the total dollar exposures, calculated on a monthly basis for counterparties rated internally A or above, must be a minimum of 40% of the total consolidated credit exposure.

#### **Section 5.02**

The percentage exposure for any individual counterparty, calculated monthly as the total dollar exposure for the counterparty divided by the total consolidated credit exposure, may not exceed the limits defined below for the rating category applicable to that counterparty. For example, for a counterparty which has a rating of A, the exposure to that counterparty may not exceed 15% of the total consolidated credit exposure.

#### **Internal Rating Category**

- A and higher greater than 15%
- BBB greater than 10%
- Less than BBB greater than 4%

#### **Section 5.03**

As of July 16, 20XX authority was granted by \_\_\_\_\_ Corporation's Audit Committee to exceed the specified credit concentration limit for the BP Amoco counter party group up to and not in excess of 20% of the total \_\_\_\_\_ consolidated credit exposure. This limit is subject to the annual review process stipulated by Section 2.02 and will be amended accordingly.

**Section 6.01**

Credit risk will be measured, monitored and reported by Financial Risk Management on a monthly basis to the Chief Financial Officer and exceptions to The Policy will be reported immediately to the Chief Financial Officer.

**Section 6.02**

Financial Risk Management will report on a daily basis the total exposure to a customer or counterparty compared to its credit limit. No additional transactions are to be undertaken that would cause the exposure to exceed the credit limit unless authorization is received from Financial Risk Management.

Sample Preview

Sample Preview