



Treasury & Risk

Treasury: The perfect business partner

This case study will look at:

- How treasury/risk can play a role in the strategic aspects of business partnering. Recent accomplishments include:
 - Centralized FX, improved cash forecasting, redefined bank relationships
 - Early engagement in acquisitions, divestitures and spin-offs
 - Chairing Enterprise Risk Management as well as Risk Oversight Committee
 - Assumed Chief Risk Officer title in connection with ERM launch
- Will talk about creating a step-by-step recipe for success

External focus – vision and objectives

Where is Treasury/Risk heading?

- Role of Treasury/Risk is becoming more strategic
 - 2008 financial crisis brought into focus: capital structure, capital allocation, ERM, activist investors, financial regulations
 - Treasury/Risk was the most logical dep't to manage these focus areas

Impact on staff/resource allocation

- Requires resources to be deployed towards new strategic endeavors
- Free up resources by being more efficient: do more with less
- Silos must be broken up

Implication on the Treasury/Risk profession

- Shift in resources towards strategic work
- More thinking less typing using enabling (SaaS) technology
- Enhanced career opportunities (company-wide) with bigger & better jobs

How to earn a “seat at the table”

- Treasury/Risk connects with both internal and external partners
 - Internal: regions and affiliates, e.g. hedging, capital structure & allocation, M&A
 - External: rating agencies, banks, investors, capital markets, insurers

- Business units/affiliates tend to welcome support as long as it is clear that you are bringing something to the table. Treasury/Risk can leverage its:
 - Geopolitical/macro insight into FX, economic conditions, geopolitics
 - Understanding of external expectations, including capital markets, investors and rating agencies
 - Knowledge of best practices among units/affiliates and drive ROIC discipline
 - Access to C-suite and the Board/Board Committees and thus guide the direction of the company

- Treasury/Risk is moving away from being a gatekeeper and instead becoming the supporting glue that help make things happen – this also helps staff retention
 - Opportunity to become an internal consultant
 - ERM can be a catalyst

How to become a business partner

- Be opportunistic: For example, in times of market turmoil, capital structure & risk management receives more attention from the Board and the C-suite
 - Chance to elevate the stature of Treasury/Risk by shedding light on what seems obscure
 - Track and communicate external expectations on the business, ie investors, capital markets, insurance companies/brokers and rating agencies
 - Financial strategy, including capital structure and risk management/hedging
- Leverage Board-level & C-Suite interactions to guide the business
 - Capital allocation and discipline around ROIC
 - ✓ Debt reduction: to achieve capital structure targets
 - ✓ Business investments: invest company cash where it earns the highest return
 - ✓ Shareholders: dividends & share repurchases
- ERM provides great opportunity for Treasury/Risk to partner with the business
 - Establish risk appetite and balance risk/return related to strategic objectives

A few early successes in business partnering

- Launched a new BoD-appointed ERM committee
 - Management of “Big Bets”, added Chief Risk Officer Role
 - ERM now influences strategic risks and opportunities, new risk framework
- Centralized Risk Control and FX risk management into Treasury/Risk
- Rolling-out new TMS system: mantra “less typing, more thinking”
- Refreshed cash flow forecasting, supply chain financing, debt profile, revolving credit facility and bank relationships

- Early wins with ERM as a catalyst:
 - Internally aligned on top risks facing the company and who’s-responsible-for-what
 - Initiated heat-mapping and prioritizing risks & opportunities to pursue “desired state” given enterprise risk appetite
 - Looking at risk retention levels including revisiting insurance program deductions

How to get there – Strategy #1

- Chance to elevate the stature of Treasury/Risk by shedding light on what seems to many as obscure
 - Quantification is often a Treasury strength
 - Support the organization by quantifying what others find difficult
 - Can be the internal consultant to the business – connected throughout the hierarchy



How to get there – Strategy #2

- Internally share external views and expectations about the industry and the company
 - Treasury, being the external face of finance, interacts with investors, capital markets, insurance companies/brokers and rating agencies
 - We know and can translate the “lingo”



How to get there – Strategy #3

- Treasury is involved in financial strategy, including capital structure and risk management/hedging
 - This involvement provides insight into funding cost and debt capacity which is key for any capital raising for M&A and other strategic action



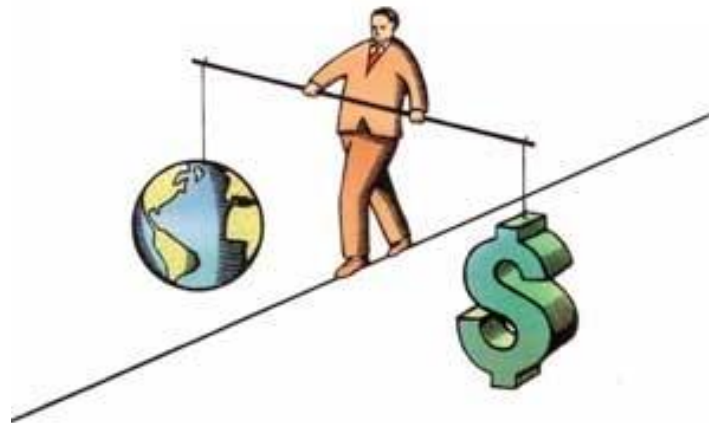
How to get there – Strategy #4

- Leverage having the “big picture”: gained from Board-level & C-Suite interactions
- Drive organizational alignment on capital allocation concepts, such as ROIC, TSR



How to get there – Strategy #5

- ERM provides great opportunity for Treasury/Risk to partner with the business
 - Link ERM to the strategic plan, and align on company risk appetite
 - ERM about managing “big bets” and opportunities, not only risk mitigation
 - Take risks intelligently: maximize return on risk, foster a strong risk culture



QUESTIONS

?

