



Centralized foreign exchange risk management

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Agenda: 11h-13h30

- Eaton – who we are
- An example of centralized hedging – Eaton model
- Examples of centralized hedging strategies
- Working lunch in groups: macro hedging
- Presentation of the group results

Eaton – who we are



LOOK AROUND.

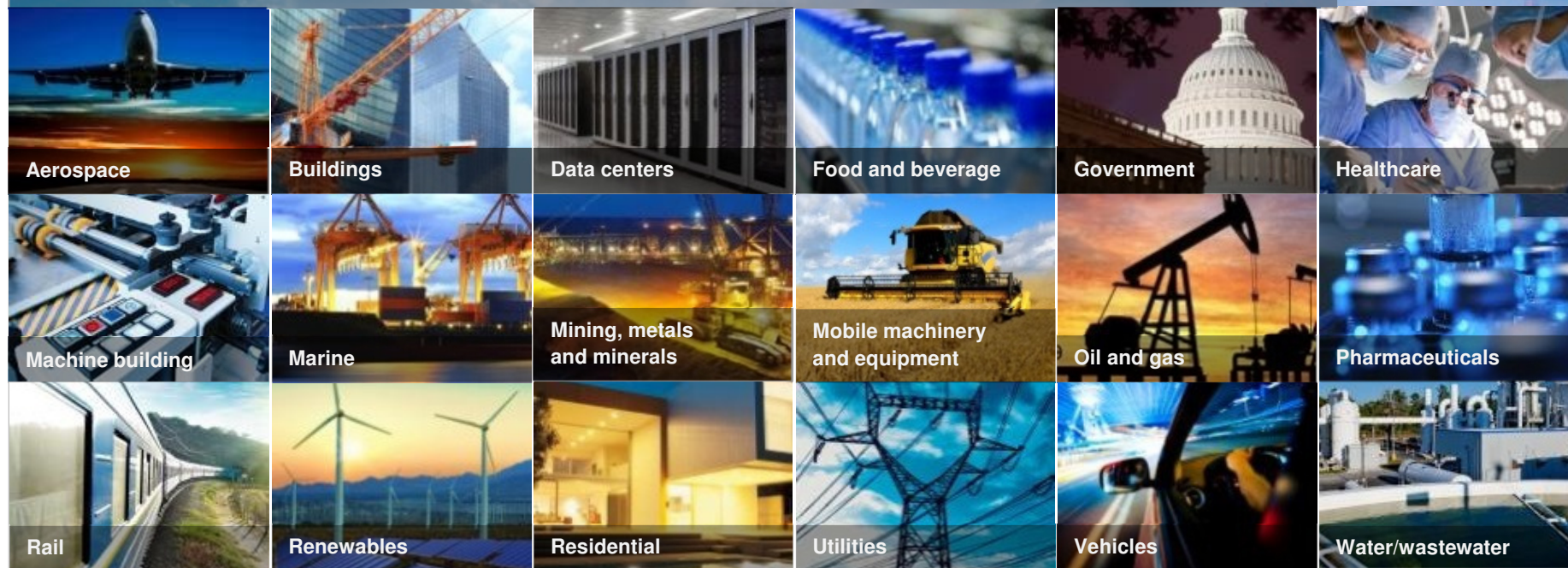
Everything we
touch, do, or
experience in our
modern world is made
possible by power.

An aerial night photograph of a city, likely Paris, showing a river (the Seine) flowing through the center. The city is illuminated with warm yellow lights from buildings and streets, contrasting with the cool blue tones of the twilight sky. The text is overlaid on the left side of the image.

Dedicated to improving people's
lives and the environment.

Providing power management technologies
that are more **reliable, efficient and safe.**

Solving industry's toughest power management challenges around the world.



A portfolio designed to meet our client's power management needs.

ELECTRICAL



Power distribution and circuit protection



Backup power protection



Lighting and security



Control and automation



Structural solutions and wiring devices

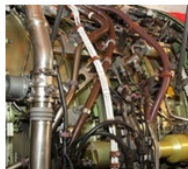


Solutions for harsh and hazardous environments



Engineering services

INDUSTRIAL



Aerospace – Hydraulic and fuel systems



Automotive – Engine air mgmt., traction control and fluid products



Truck – Commercial vehicle clutches and transmissions



Filtration – Liquid filtration solutions



Hydraulics – Fluid conveyance and power and motion control products





Get to know our business.

Electrical Sector

2018 Sales \$13.1 B

- Electrical Products
- Electrical Systems & Services

Industrial Sector

2018 Sales \$8.5 B

- Aerospace
- Hydraulics
 - Filtration
- Vehicle
- eMobility

Total sales \$21.6 Billion USD

Net income \$2.2 Billion USD

- Headquarters: Dublin, Ireland
- Chairman & CEO – Craig Arnold
- Key locations in Cleveland, United States; Shanghai, China; Morges, Switzerland; São Paulo, Brazil
- Regional engineering teams to support products and custom solutions
- Customers in more than 175 countries
- Approximately 99,000 employees

Treasury organisation

EATON Treasury – Hybrid organization



Ongoing journey towards achieving:

- ⇒ Centralization of activities
- ⇒ Standardized processes and practices

Several Treasury centres that follow the same set of global policies and governance

Treasury Scope and Activities

- Cash and Liquidity Management
- Intercompany Financing
- Foreign Exchange
- Trade Finance
- Bank Account Management
- Continuous Improvement and Structural Projects
- Payments/Settlements (Back Office)

Key figures

- 45 staff in 10 locations
- Support 515 legal entities in ~ 100 countries
- Manage ~ 1500 bank accounts
- Execute ~ 300 FX trades in 70 currency pairs per month.
- Intercompany Settlement
~150,000 IC invoices in 20 currencies for 600 participants per month



An example of centralized hedging – Eaton model

Global Foreign Exchange Risk Management

Eaton's Foreign Exchange (FX) strategy is to protect its balance sheet and future cash flows from changes in FX rates.



Key facts about FX hedging

- Monthly FX accounting rates
- Balance sheet hedges
 - placed on month-end
 - adjusted when the books are closed (WD5 of the next month)
- External trades done by the Treasury Centers on the Net exposures:
 - netting by ccy pairs or against EUR (in EMEA)
- Back to back trades placed using internal blotters
- Optimisation of internal trades settlement
 - by leveraging our in-house bank



Types of FX Exposure that affect Eaton

Balance Sheet Exposure	Assets or liabilities on the balance sheet of an entity that are different from that entity's functional currency	All balance sheet exposures > \$1M are hedged at the ledger level*
Anticipatory (Cash Flow) Exposure	Future transactions that will occur in a currency different than an entity's functional currency	Operations with material exposures are hedged at the ledger level when certain criteria are met
Earnings Translation Exposure	Non-USD earnings which are converted (translated) to USD for income reporting	Not hedged
Net Investment	Equity value of non-USD functional subsidiaries	Very selectively hedged with term debt issuance

*Some balance sheet exposures are overlaid in other regions due to regulatory FX trading restrictions

What is your approach ?





Powering Business Worldwide