

ROCHFORD

At Rochford, we are committed to protecting and enhancing your business.

Our simple yet powerful Agile Treasury process has been refined and reinforced through decades of experience and working with hundreds of businesses. Agile Treasury positions a business within a value creation cycle, producing objective calls to action in day-to-day operations through to executive-level strategic decision making. This starts with identifying the operational gaps and value drivers within Treasury. We then deliver fast, flexible and effective solutions, which means stakeholder value is maximised. We can then either step back or provide ongoing strategic advice and support.

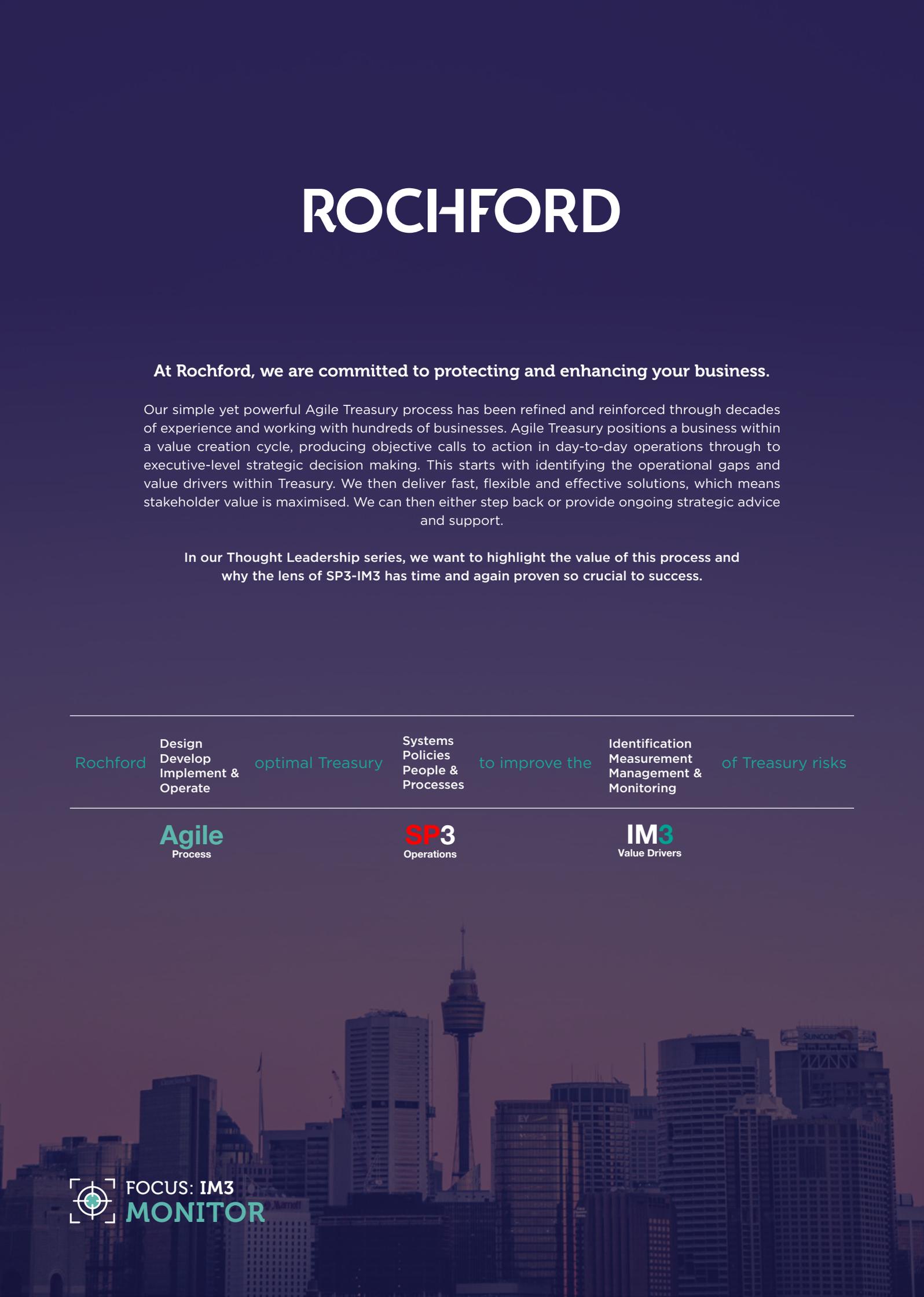
In our Thought Leadership series, we want to highlight the value of this process and why the lens of SP3-IM3 has time and again proven so crucial to success.

Rochford Design Develop Implement & Operate optimal Treasury Systems Policies People & Processes to improve the Identification Measurement Management & Monitoring of Treasury risks

Agile
Process

SP3
Operations

IM3
Value Drivers



FOCUS: IM3
MONITOR



MAINTAIN OVERSIGHT

IN THIS BRIEF, WE ARE FOCUSING ON MONITORING OF TREASURY RISKS – THE PROCESS OF CONSISTENT RISK OVERSIGHT BASED ON CLEARLY DEFINED STAKEHOLDER RESPONSIBILITIES

Monitoring of risk should maintain proactive oversight, which means stakeholders are rapidly alerted to developing risks and empowered to execute risk management actions.

MONITOR: Do we have visibility and governance?

DESIGN

Design for monitoring risk needs to be performed from the multiple lenses of relevant stakeholders. At a structural level, operational staff need access to detailed dashboards with key operational calls to action. They also critically need to be able to quickly navigate the data to confidently isolate the source of a problem and appropriate remedial action. Meanwhile, a CFO most critically needs quick digestible reports stating whether treasury compliance is achieved and if there are any actions he or she must take. Higher still, the Board, who is least likely to have a treasury risk background, needs clean concise clarity that all matters treasury are in order, ideally in a red/green, yes/no format.

DEVELOP

Core to developing monitoring capabilities is first designing the underlying processes of people and systems interacting to achieve valuable decision making based on objective calls to action. Once complete, and the data frames and key calculations are structured in an



Common Shortfalls

Lack of time

Lack of skillset or accountability

Lack of easily visualised and consistent dashboards and reporting of key metrics and calls to action

Lack of clarity on what should be monitored, when an item should be escalated creating uncertainty or who should be performing what appropriate remedial actions

Lack of access to live reporting



Solutions

Ongoing experienced strategic and operational support, oversight and market advice

Upskilling internal personnel

Risk decision making platform aligned to your bespoke risk profile, hedging policy and key commercial considerations

Cash flow forecasting, cash and liquidity management and hedge accounting solutions capable of servicing a global subsidiary network

optimised manner, we need only create charts and reports to display key insights in a visually appealing and digestible format. If the processes are improperly developed, we can only ever view suboptimal reporting that will inevitably inhibit value realisation.

IMPLEMENT

The implementation of monitoring again must emphasise enabling people to make valuable decisions. Bringing key stakeholders along through the development process, showing mock-ups of dashboards and reports and discussing the operational implications is a fantastic way of starting implementation early to minimise future surprises. This also ensures that managers have skills to leverage the value that the dashboards and reports are displaying.

OPERATE

Monitoring is a core responsibility of risk managers. Whether this is monthly, daily or real-time is dependent on the risks being monitored and the nature of the business, however the information being monitored is simply an output of the effort spent aligning people, systems policy and processes during design, development and implementation. This is the final piece of the puzzle and should involve nothing more than looking at a screen for either a red box (bad) or green box (good) and taking management action if anything is red. Simplicity is key.

CASE STUDY

[RETAIL GOODS IMPORTER]

A retail goods importer operating on high volume low margin was aware of the profitability impact from relatively small foreign exchange market fluctuations, but lacked the headcount, tools and systems to ensure proactive oversight and hedging policy compliance.

PROBLEM

Why the challenge was proving difficult to solve

- ❁ Low operating margins in a very fast-moving retail market segment meant profitability is highly sensitive to foreign exchange fluctuations
- ❁ The business thus aligned its risk appetite closely to its budgeted foreign exchange rates
- ❁ The business lacked headcount, time to monitor markets and execute appropriate hedging to protect its budget rate on an ongoing basis

SOLUTION

Rochford actions to address and correct the problems

- ❁ Implemented weekly (at minimum) scheduled calls to discuss current and forecast net exposure across 3 currency pairs
- ❁ Rochford provide on-going recommendations on market order levels, product mix and FX hedge book restructuring
- ❁ Instigated budget rate setting process that balanced current market levels, existing hedging and realistic appraisal of medium-term trading conditions
- ❁ Monitor and advise on indirect costing considerations e.g. the effect of CNY depreciation and potential of renegotiating supply contracts

RESULT

End outcome, leaving the business in a better position

- ❁ FX budget rates are achievable and realistic without sacrificing competitiveness
- ❁ Rochford act as 'eyes and ears' on the market to actively identify and communicate event risk, key market levels and trend changes; the resulting proactive FX risk advice and consistent application of policy parameters shields the client from market shocks and reactive 'kneejerk' hedging decisions



If you are facing these challenges, or would like to find out more, contact Rochford and begin your treasury improvement journey today.



WHAT OUR CLIENTS SAY ABOUT US

“Rochford has played a key role over the years in assisting us to protect our gross margins in times of AUD volatility. Their dynamic and consultative hedging approach has allowed significant uplift during periods of favourable FX trends.”

| GREG DARWELL, FOUNDER & CEO MULWARRA EXPORT PTY LTD

“Their research and advice consistently provide us with the tools to both mitigate risk and take advantage of opportunities as they arise. They have also provided invaluable advice with regard to the structure of the appropriate hedging solutions allowing us to achieve margin protection whilst still participating in favourable market moves.”

| CARL SCUDERI, CFO DYNAMIC SUPPLIES PTY LTD

“We are delighted with the positive changes they have made to our business and are enjoying a relationship that has developed further than our expectations. The team are a true pleasure to work and be associated with.”

| PETER CALOPEDIS, GROUP FINANCE MANAGER, TNA AUSTRALIA PTY LTD

