

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



GOVERN & DELEGATE

IN THIS BRIEF, WE ARE FOCUSING ON POLICIES – APPROVED PARAMETERS WITH CLEARLY DEFINED, DELEGATED AND PRESCRIBED STAKEHOLDER RESPONSIBILITIES ALIGNED TO COMMERCIAL OBJECTIVES

Policies should govern the roles and responsibilities of an organisation's people and processes, which means expectations for risk mitigation are prescriptive, appropriate and consistently meaningful.

POLICY: Ensure practicality before requiring compliance

DESIGN

A thorough policy design clearly defines its aims and required actions across all material activities the policy governs; it eliminates ambiguity in required actions and when those actions are required. It clearly defines parameters for what constitutes policy compliance and escalation activity to alleviate the problem. A treasury policy aligns the commercial and risk management objectives of the enterprise.

DEVELOP

The writing of a policy is often best done after an effective process that a policy is meant to govern is successfully implemented. This approach prevents policy development from being an overly academic exercise that fails to acknowledge the practical implications and

current system limitations of the business. Development of the policy itself, from a conceptual level, should be pursued and discussed as a governing mindset throughout the process development stage.

IMPLEMENT

With the correct development approach, implementation of a policy once it is written is almost a moot point. Since the policy is written to represent now existing processes, implementation, perhaps unintuitively, should occur before writing.

OPERATE

The key to effective operation regarding policy is thus consistency and operational discipline against clearly defined expectations pragmatically aligned to business capabilities. Once an effective operation is established that is aligned to commercial strategy and risk appetite, repeating the maintenance.



Common Shortfalls

No policy exists

Aged policy misaligned to commercial objectives & current risk environment

Inappropriate or lacking acknowledgement of commercial risks

Lacking delegation of authority

Policy is written prior to designing and implementing practical business operations

Inappropriate objectives



Solutions

Treasury and commercial risk assessment

Writing and implementation of policy and risk management framework

Periodic scheduled policy reviews

Policy that empowers staff in the proactive management of the businesses risks

CASE STUDY

[BIOTECHNOLOGY EXPORTER]

A biotechnology business heavily focused on R&D for years was now experiencing rapid sales growth but was without a robust policy framework to protect against its also rapidly growing risk profile.

PROBLEM

Why the challenge was proving difficult to solve

- ⚙ Increasing cash flow forecasts of publicly listed entity meant that the size of potential losses from otherwise typical market moves was rapidly increasing
- ⚙ The finance team and Board did not have direct experience developing an appropriate treasury policy

SOLUTION

Rochford actions to address and correct the problems

- ⚙ Rochford consulted with the CFO and presented a proposed hedging policy to the Board for approval
- ⚙ We then worked with the finance team to execute an initial hedging strategy that ensured base compliance
- ⚙ Ongoing proactive hedging decisions are now advised by Rochford with an appropriate product mix to ensure compliance, which we report on a monthly basis

RESULT

End outcome, leaving the business in a better position

- ⚙ Investors can encourage the Engineering, Sales and Finance team to focus on growing commercial opportunities in confidence their risk management program will scale alongside them
- ⚙ Heightened revenue certainty from a smoothed earnings profile has reduced the business' cost of capital and risk premium applied by investors, generating increased gains to enterprise value



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

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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

