Introductions

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- Ron leads a global team responsible for the design and delivery of integrated global treasury solutions for Citi’s corporate and financial institutional clients. He has been with Citi for five years. His prior experience includes positions in treasury consultancy; transaction banking strategy/business development and product management; and corporate banking while based in Asia, Europe, and the US.

Bryan Richardson, CTP (Speaker)
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- Bryan Richardson joined The NeuGroup in July 2007 as director of peer groups to support the growing number of peer groups facilitated by the company. In this role, he works at expanding the universe of groups and member companies in addition to overseeing the relationship aspects and planning and research process for several existing groups. He also supports the research and planning process of other peer groups and authors articles for The NeuGroup’s flagship newsletter, International Treasurer. Prior to joining The NeuGroup, Mr. Richardson has experience in cash management, treasury and treasury consulting at a variety of institutions.
Last month we reviewed key considerations for Treasury in 2012, which include greater alignment with the businesses, gaining operational flexibility and achieving best in class risk management.

1. Manage through the Euro Crisis
2. Respond to accelerating changes in regulations and tax
3. Get engaged, and add value to the Supply Chain
4. Drive for operational Treasury best practice
5. Extend the credit risk management discipline
6. Leverage (or make case for) technology investment

While each company’s Trading, Treasury, and Working Capital model will determine specific 2012 priorities for Treasury...

...a common theme is recognition of the need to align more closely with working capital stakeholders, while maintaining visibility of evolving trading models and proactively addressing impacts.
The World Class Principles Project

Citi, The NeuGroup Global Cash and Banking Group, and 26 member companies (led by a core team of 6) conducted a year-long program to define world class principles for treasury cash management activities and provide a set of benchmarks that companies can use to measure performance. The project was co-facilitated by Citi’s Global Treasury Advisory team and used their Citi Treasury Diagnostics tools.

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Who is The NeuGroup?

The NeuGroup is an independent research and publishing company dedicated to the exchange of knowledge among treasury and finance professionals through two mediums.

Newsletter:


Peer Groups:

- The peer group model began in 2001 with the launch of Tech20, a group of treasurer’s in the technology industry, which served as the start of a network of Fortune 500 practitioner-driven member forums committed to sharing knowledge and experiences with their peers.
  - Current peer groups: 14
  - Current number of member companies: 160
  - Current number of members: 280+
What is the Global Cash and Banking Group (GCBG)?

A group of more than 25 senior treasury professionals who meet twice per year to share ideas, challenges and solutions within an informal, yet structured environment.

- 3M*
- Accenture*
- Agrium*
- Altera
- Amgen*
- Applied Materials*
- Bechtel *
- Cargill*
- Celgene*
- Chiquita Brands*
- Cooper Industries*
- Costco*
- Dell*
- Diebold
- Dr Pepper Snapple*
- eBay*
- Eli Lilly*
- Genentech
- Google*
- Hasbro*
- Herbalife*
- Itron*
- Kimberly-Clark*
- Merck*
- MoneyGram*
- Nike
- Oracle*
- Research In Motion*

* World Class Research participant

World class project core team member
What is Citi’s Treasury DiagnosticsSM?

Treasury Diagnostics is a global treasury benchmarking program created by Citi. Participants, which include multinational corporations from around the world, are able to benchmark their treasury operations vs. the Best In Class and identify potential opportunities for improvement.

Benchmark Six Pillars of Treasury Operations

- Liquidity Management
- Working Capital Management
- Risk Management
- Subsidiary Funding and Repatriation
- Policy and Governance
- Systems and Technology

Identify Where You Stand Relative to Peers—Learn What Counts as Best in Class

Benchmarks

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<tr>
<th>Process Area</th>
<th>My Score</th>
<th>Peer Group</th>
<th>Universe</th>
</tr>
</thead>
<tbody>
<tr>
<td>My Score</td>
<td>2.6</td>
<td>1.7</td>
<td>1.0</td>
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Relative Performance Detail

<table>
<thead>
<tr>
<th>Process Area</th>
<th>Against Peer Group</th>
<th>Against Universe</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liquidity/funding risk</td>
<td>Worse</td>
<td>Worse</td>
</tr>
<tr>
<td>Interest rate risk</td>
<td>Worse</td>
<td>Worse</td>
</tr>
<tr>
<td>Foreign Exchange (Transactional)</td>
<td>Better</td>
<td>Better</td>
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Winner, Celent Model Bank Award

Silver Winner, Solution of the Year, Treasury and Risk Alexander Hamilton Awards

Winner, Innovative Product
2. Project Highlights and Outcomes
Project Highlights and Outcomes

Highlights

• Utilized a survey process of over 150 questions
• Over 20 companies actively participated of which 6 were on a core leader team
• Two phases over the course of a year

Outcomes

• Two parts:
  – **Foundational** areas: e.g., organizational structure, policies and procedures, technology and talent management
  – **Processes-centered** areas, e.g., cash positioning, cash forecasting, liquidity management, and bank account management
• 15 Treasury operations categories, 72 principles to define world class treasury operations
• Principles vs. Practices – intended to apply to “all of the above” companies
Organizational Structure - Highlights

Summary Statement - As companies expand globally the need to organize effective treasury operations to support remote areas of the business increases. For many MNC’s, this means winning greater efficiency in developed markets so that it can deploy additional resources in developing markets, where efficiencies are more difficult to achieve.

Principles:

- Standardize operations first then evaluate additional locations
- Centralize and align cash management to the degree necessary depending on organizational structure, geographical locations, and local on-the-ground needs
- Minimize the number and location of treasury centers as much as possible without compromising operational efficiency and timeliness. This minimizes both expense and points of operational coordination while ensuring operational optimization
- Seek to extend operations at existing SSCs to capture efficiencies and benefits such as availability of a broader talent pool and better integration with operations. Independent treasury centers may be warranted and necessary, in lieu of or following co-location at an SSC
Organizational Structure – What Project Participants Said

How many Treasury Centers do you have, where HQ counts as 1?

- 1: 36%
- 2: 23%
- 3: 32%
- 4: 5%
- 5: 5%
Principles:

- Cash management activities are defined as “owned” or “influenced” and periodically rationalized to avoid being overburdened by non-treasury or non-strategic activities.
- Standardized operational cash management activities are conducted outside corporate treasury, either at a treasury center, a shared service center, or by local in-country staff, leaving corporate staff with more resources for managing strategic activities.
- All policy decisions are initiated, or at least approved by, corporate treasury.

Summary Statement - Treasury touches and is impacted by many areas within a company and obviously can’t control everything. It should, however, at least try to minimize negative impacts by building influence in areas that it can’t control. This requires treasury to take a hard look at the tasks being performed and to determine if they are owned by treasury and if they are not owned how much influence it should have.
Treasury Responsibilities – What Project Participants Said

Where is cash operations / liquidity management performed in your organization?

- Performed at Head Office: 73%
- Performed in a Treasury Center: 64%
- Performed in a Regional SSC: 14%
- Performed Locally in Country: 23%
- Treasury Doesn’t Manage This Function: 0%
Accounting - Highlights

Summary Statement - The big issue around treasury accounting is “who should own it”, which can be a surprisingly complicated matter to consider. Expertise around actual transactions clearly resides with treasury, which typically loathes being involved with accounting, while expertise around accounting rules generally resides with accountants.

Principles:

- Treasury does not “own” treasury accounting itself, but partners with the accounting team to foster good relations and ensure full understanding of treasury transactions

- Treasury actively supports the purchase and use of tools that provide maximum automation and minimal errors to accounting activity
Accounting – What Project Participants Said

How automated is your treasury accounting process?

- **STP (Push a button and create a report with automated feeds from all related areas)**: 33%
- **Semi-Automated (need manual input along with automated reporting)**: 39%
- **Manual (need to manually pull info from various sources and inputs and generate spreadsheet)**: 23%
Talent Management - Highlights

Summary Statement - Talent and technology are treasury’s two biggest assets, and because they are generally in scarce supply they must be carefully managed. A world-class treasury operation focuses on various methods for recruiting, developing, and rewarding treasury personnel as well as different types of monetary and non-monetary incentive programs.

Principles:

- Certifications, participation in media articles, speaker opportunities and other possibilities for personal development are supported and encouraged

- Treasury and non-treasury rotational opportunities, either formal or informal, are supported and encouraged for personal development and career management

- Non-monetary reward programs such as flexible work hours and telecommuting programs are supported and encouraged to create and maintain employee retention and engagement
Talent Management – What Project Participants Said

Do You Have a Rotation Program for Treasury Employees?

- No Program: 55%
- Yes, Informal Program: 41%
- Yes, Formal Program: 5%
Technology End State - Highlights

Summary Statement - Treasury technology is to support efficiency with automation (STP) and decision support. But treasury needs to pursue an end-state that their organization can support and maintain effectively. This can be evidenced by continually driving to minimize the number of core platforms, supplemented by "best of breed" special-purpose applications where necessary.

Principles:

- A global single instance of a treasury management system (TMS) and ERP is established or in process
- Supplementing the single instance TMS, best of breed systems are incorporated into the TMS to allow for the highest level of STP
- Unique special-purpose software products are minimal, automated and standardized across all users
- STP and full automation exists for at least 75 percent of cash management activity processes
- A world class treasury has dedicated IT support
How Long Do You Think it Will Take to Achieve Your End-state Vision?

- Less than 1 Year: 18%
- 2-3 Years: 55%
- 4-5 Years: 18%
- More than 5 Years: 9%
3. Conclusions
Take-Aways

The principles are intended to provide a roadmap by which any company can measure status and progress. By focusing on principles, the results should apply to most companies and market environments.

- With multinationals facing significant shifts in patterns of growth, any treasury organization seeking to be world-class must become efficient in how it manages routine cash processes, so that it can focus more attention on supporting the businesses generating the cash.

- Becoming world-class is not a one-time endeavor. All organizations should look to regularly benchmark cash management activities to see where they stand relative to peers, define their end goal, and set forth the milestones and acceptable time frames to reach them.

- Gaining a fuller understanding of the principles, and their application in various circumstances is best done through candid discussions with peers – those in the same industry, as well as those engaged in other types of businesses. Service providers can help too, as they serve as clearing houses for the best practices they see with their customers.

Acknowledgements

- We thank all members of the Global Cash and Banking Group for their collaboration on the project and for allowing us to share highlights.

- Special thanks to the Global Cash and Banking Group core team members from Bechtel, 3M, Dell, Kimberly Clark, Merck, Cooper Industries, eBay, and Eli Lilly. Their hard work in driving the research process and subsequent analysis and in infusing the interpretation with the perspectives of corporate treasury practitioners resulted in practical and meaningful takeaways for other practitioners.
Resources

Coming Soon!

- Defining World-Class Cash Management: Part II - Tactical & Process Principles (Thursday April 26, 11:00 – 12:00 ET)

Project Highlights – To be Sent to Registered Participants

- *World Class Cash Management Principles*: Highlights from the Collaboration of The NeuGroup’s Global Cash and Banking Group and Citi. March 2012

Resources

- [www.itreasurer.com](http://www.itreasurer.com)
Citi believes that sustainability is good business practice. We work closely with our clients, peer financial institutions, NGOs and other partners to finance solutions to climate change, develop industry standards, reduce our own environmental footprint, and engage with stakeholders to advance shared learning and solutions. Highlights of Citi’s unique role in promoting sustainability include: (a) releasing in 2007 a Climate Change Position Statement, the first US financial institution to do so; (b) targeting $50 billion over 10 years to address global climate change: includes significant increases in investment and financing of renewable energy, clean technology, and other carbon-emission reduction activities; (c) committing to an absolute reduction in GHG emissions of all Citi owned and leased properties around the world by 10% by 2011; (d) purchasing more than 234,000 MWh of carbon neutral power for our operations over the last three years; (e) establishing in 2008 the Carbon Principles; a framework for banks and their U.S. power clients to evaluate and address carbon risks in the financing of electric power projects; (f) producing equity research related to climate issues that helps to inform investors on risks and opportunities associated with the issue; and (g) engaging with a broad range of stakeholders on the issue of climate change to help advance understanding and solutions.

Citi works with its clients in greenhouse gas intensive industries to evaluate emerging risks from climate change and, where appropriate, to mitigate those risks.