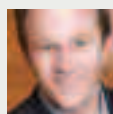


Ask the experts:

What is meant by 'best in class'?

To be the best it seems that communication is the key.



**Matthew Hurn, Group Treasurer,
DSG International plc**

I have yet to meet two treasurers who do the same job or two treasury departments that have the same characteristics. Best in class therefore typically depends on the size and complexity of the company and the type of business environment it operates in.

However, true best in class is when the treasury department team works closely with the business in achieving the company's objectives to create or protect shareholder value. The main drivers in achieving this are robust policies, effective communication and, most importantly of all, great people.

With increasing demands being made on treasurers to manage risks, it is important to develop a framework to ensure that the risks are identifiable, the parameters surrounding the appetite for risk are clear, and the mechanics for managing and mitigating the risks are agreed.

The risks can vary from foreign exchange (FX), interest rate, liquidity, counterparty risk, and so on, and it is very easy to overcomplicate this process due to the different risks that treasurers are trying to manage.

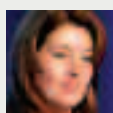
With more treasurers getting involved in areas such as pensions, insurance, and mergers and acquisitions, an overriding principle has to be to keep things simple and to ensure the basics are done well. The challenge that most will then face is dovetailing the overall policies with efficient and effective processes – while at the same time continually seeking innovative solutions to further improve performance.

A second aspect is effective communication and this can be broadly split into two areas. The first is to explain treasury to people within the business at all levels, clearly ensuring that people understand and appreciate the issues, the objectives and the benefits.

The second area is communicating and building relationships, positioning treasury and its skill sets, and looking at ways in which partnering with the business units can add value. Many treasurers are guilty of a back-office mindset, relying on their technical skills to operate the treasury function.

Far better to work with the business units to explore where risks exist and design appropriate measures to manage them.

But none of this is achievable unless you have good colleagues for support, ensuring that the team is involved, motivated and developed.



**Jane Pilcher, Group Treasurer,
Anglian Water**

I firmly believe that communication is the key to best-practice treasury.

Treasury is very much like an octopus with tentacles, which lead out and connect with other parts of the company.

Getting out of the office and meeting with colleagues from other departments in the company is invaluable to the efficiency of the team, and I encourage members of my team to have at least one day out of the office a week.

Getting out of the department, meeting people and making sure they understand what your perspective is, and understanding where they are coming from, can make a really big difference in managing the risks which we have responsibility for in treasury.

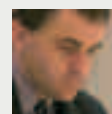
Creating an environment which supports essential teamwork will make the department run much more smoothly and efficiently.

Communication is not only vital within the organisation but externally as well. It is essential to have good relationships with the banks, investors and rating agencies.

Having a good dialogue with banks helps them to come to you with ideas about what you could need for your business. It keeps you in touch with innovations in the market and gets you to question your current way of doing things.

You can only get the best out of banks and get what you need from them if you are able to communicate what your business is about so that they have a good understanding of your business needs.

Overall, awareness of risks and concentrating on the day-to-day details of treasury will stop things going wrong by ensuring you are always up to speed with everything.



**Gerry Bacon, Group Treasurer,
Vodafone**

I am not entirely sure treasurers are best placed to answer this question as shareholders or bankers, as suppliers of capital, can compare treasuries across and within industry sectors.

That said, there are four key areas a treasury needs to manage well to be in with a chance of being 'best in class'. First, it must have a clearly defined treasury/financial strategy in place.

Companies and parts of companies may have different requirements, perhaps caused by macro-economic factors, specific industry characteristics, their stage of maturity or growth or many other factors. Having a strategy that bears this in mind is key to a successful treasury. Businesses change and the treasury strategy needs to keep in step as whatever the business is doing and whatever the overall goals of the business are will affect treasury strategy.

Second, it must always strive to keep costs – interest costs, transaction costs, bid-ask spreads and fees – as low as possible to add value to the shareholders.

Third, everybody wants to feel comfortable that there will be no nasty surprises. To be confident about this, a treasury must manage risks in a coherent manner. These risks will have different levels of importance to different treasury departments but will involve funding and liquidity risks, counterparty risk, FX risk, pensions risk, interest rate risk, tax risk and commodity risk.

Finally, the treasury department is in a privileged position in that it should aim to balance the contrasting needs of the key stakeholders in the company: debt investors, equity investors and, further down the credit curve, customers, suppliers and employees.

To pull these four elements together, it is very important to have a strong team. Being able to work as a team makes a big difference. It helps to deliver to lenders and colleagues in other departments what you say you are going to do. If you have bright, intelligent and motivated people working with you in the treasury department, your goals will not be that hard to achieve.