TREASURY&RISK
THE FUTURE OF FINANCE TODAY

Moderator: Lisa Kremer, SVP, Marsh Risk Consulting

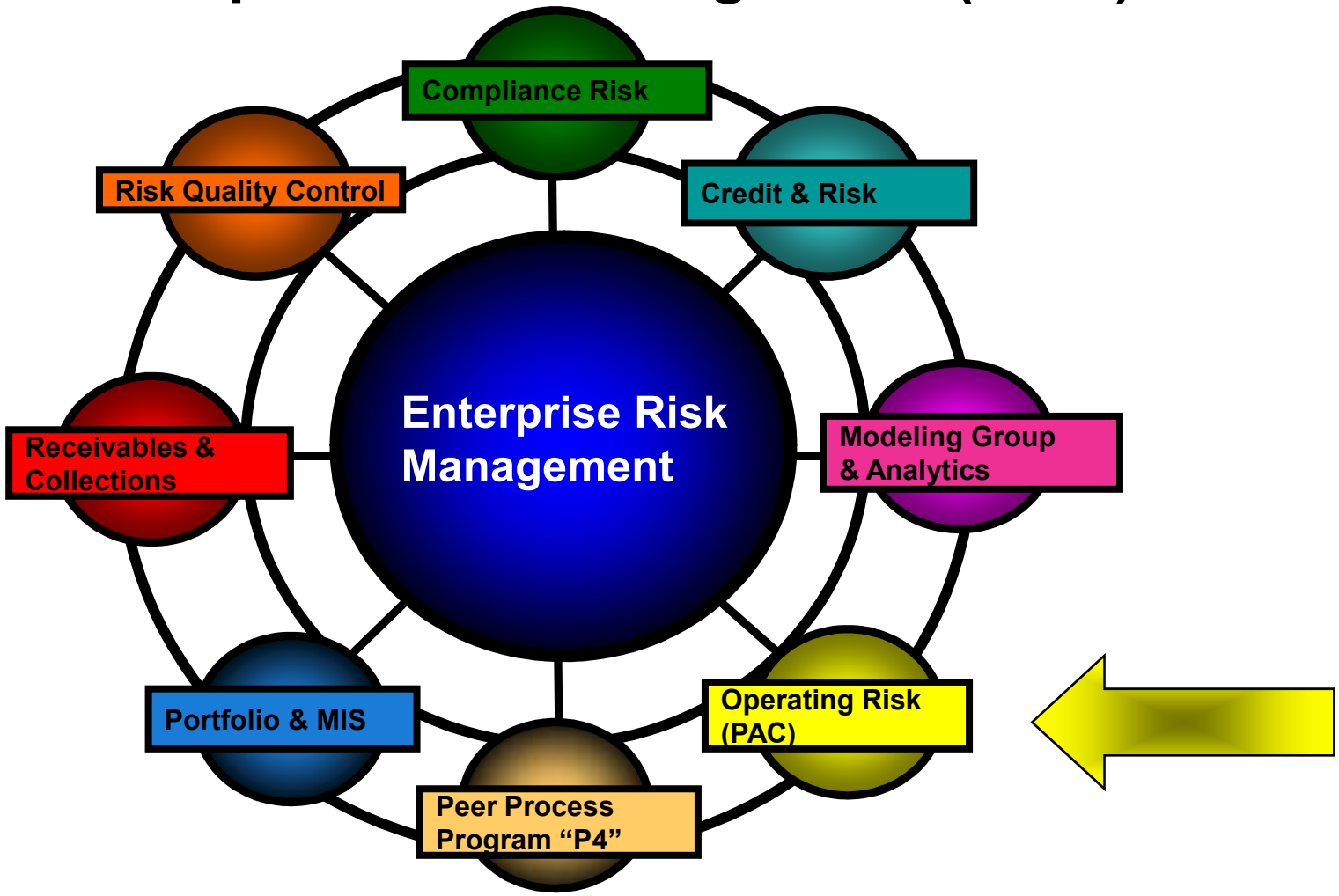
Panelists:

-Raymond Van Eperen, VP Property & Casualty Risk Mgmt, Kimberly-Clark Corp.
-Frank Fiorille, Director of Enterprise Risk Mgmt, Paychex, Inc
-Chris Mandel, Asst. VP, Enterprise Risk Mgmt, United Services Automobile Assoc.

Enterprise Risk Management

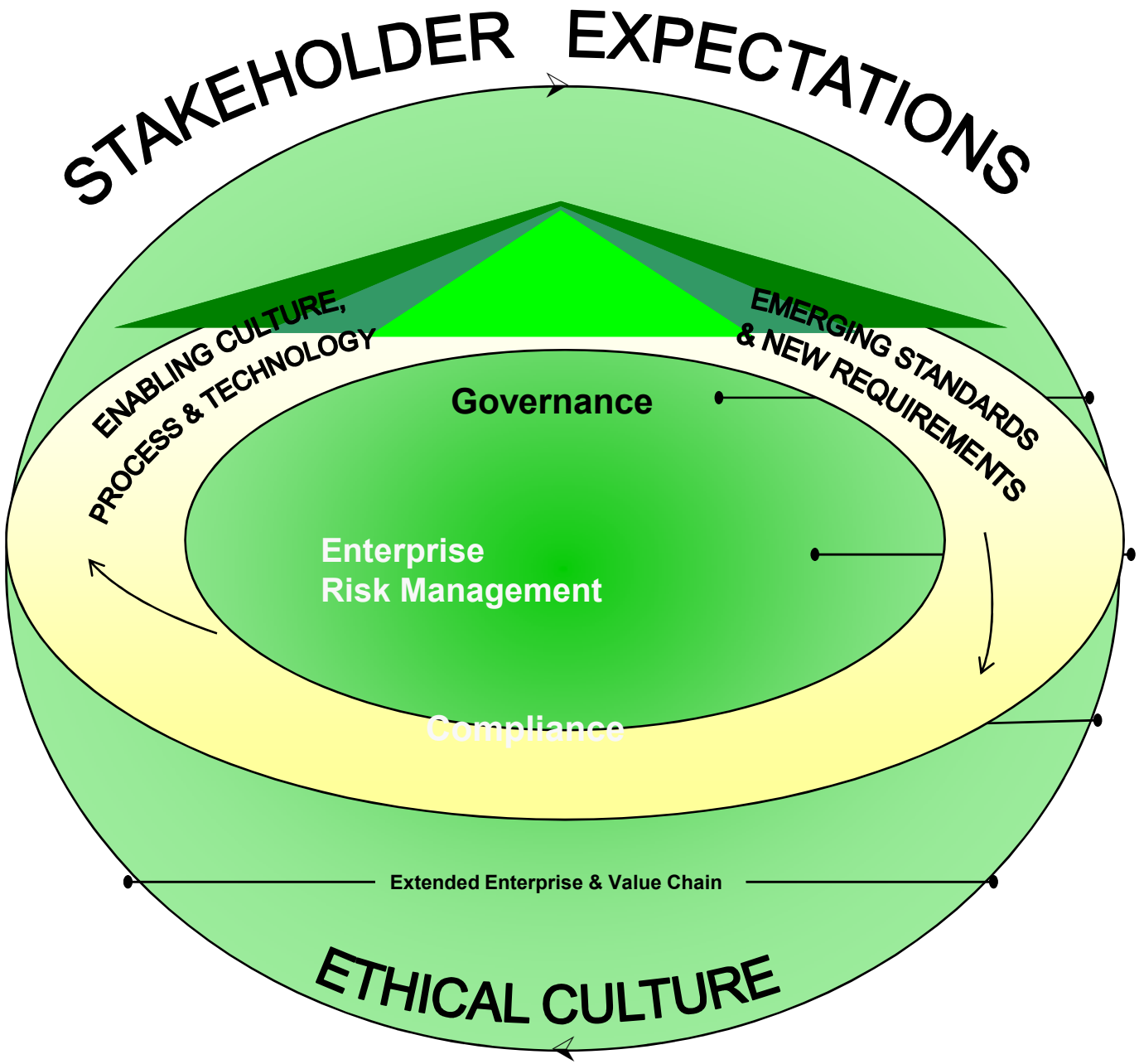
Treasury & Risk's 12th annual
alexander hamilton
BEST PRACTICES SUMMIT

Enterprise Risk Management (ERM)



ERM Credo: "Protect and enhance shareholder value"

"Companies that understand risk when making strategic decisions and communicate their risk appetite have the best chance of striking the right balance between risk and reward which is fundamental to value creation and profitable growth."



Setting strategy, objectives, tone, policies, risk appetite and accountabilities; monitoring performance.

Identifying and assessing risks that may affect the ability to achieve objectives; determining risk response strategies and control activities.

Operating in accordance with objectives; ensuring adherence with laws and regulations, internal policies and procedures, and stakeholder commitments.

Risk Heat Map: A Template for Identifying and Classifying Risk

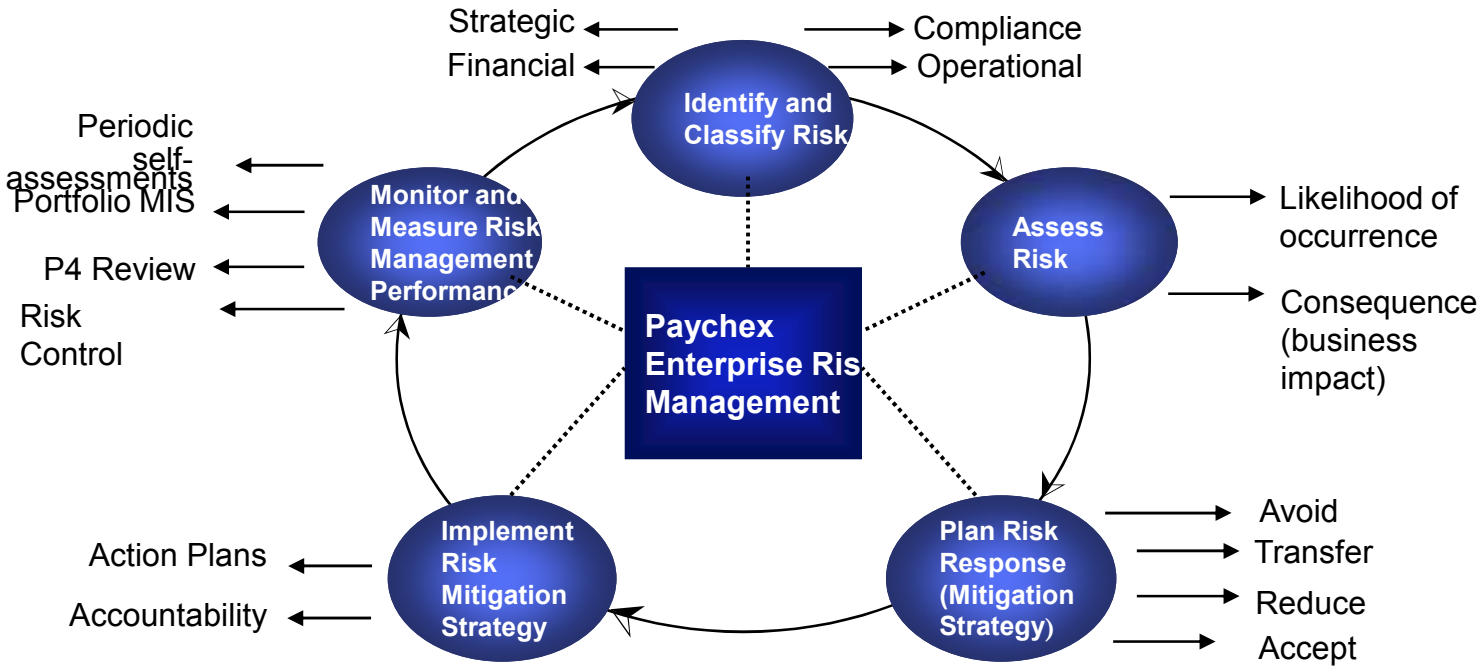
Probability of Occurrence

High

Yellow **Emerging Risk**	**Red** **High-Impact Risk**	**Red** **High-Impact Risk**
Green **Controlled Risk / Poses Limited Threat**	**Yellow** **Deserves Monitoring**	**Red** **Requires Attention**
Green **Controlled Risk / Poses Limited Threat**	**Green** **Controlled Risk / Poses Limited Threat**	**Yellow** **Has Potential to Become Severe**

Low ***Magnitude of Risk*** **High**

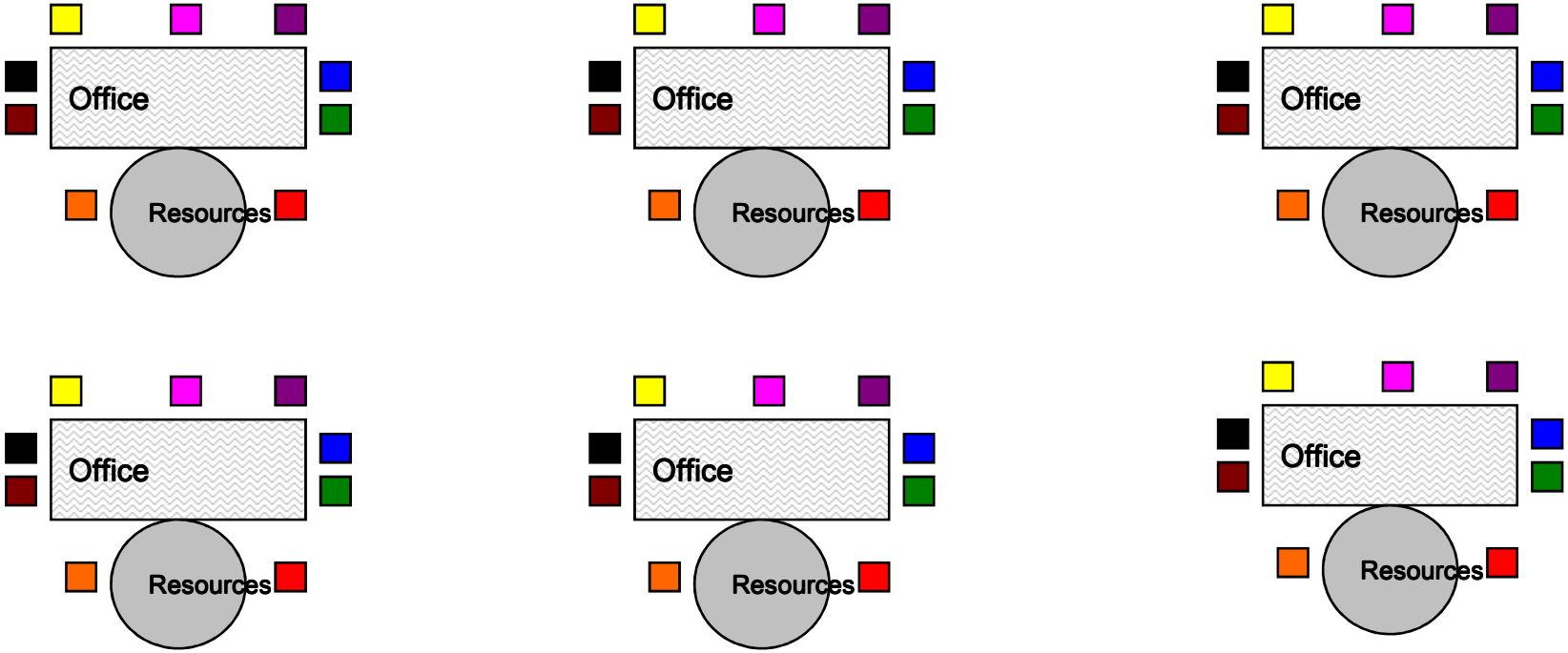
A Conceptual Approach to ERM at Paychex



ERM Culture Attributes

- Risk management is recognized as a key contributor to value creation.
- The risk culture is defined and enshrined to give managers and employees the requisite freedom of maneuver.
- An awareness of risk and the need to manage it pervades the enterprise.
- Risks are identified, reported, and quantified to the greatest possible extent.
- Equal attention is paid to both quantifiable and unquantifiable risks.
- Risk management is everyone's responsibility and is not fragmented into compartments and silos.
- The enterprise avoids products and businesses it does not understand.
- Scenario planning embraces uncertainty and considers all possible developments.

Previous State – Operating Risk Processing

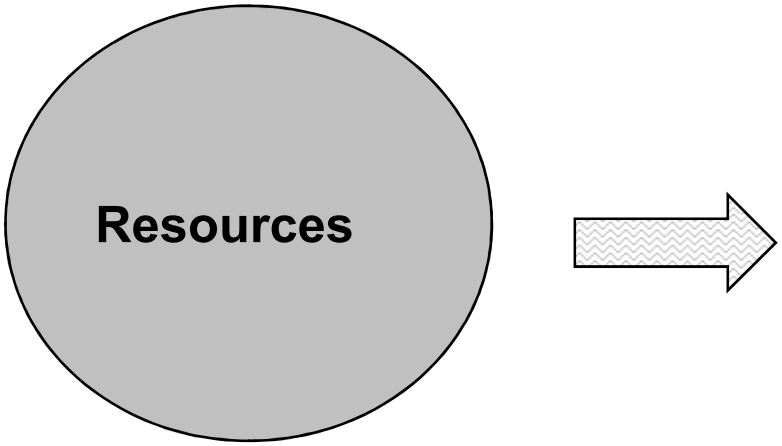


RESULTS:

- **Diseconomies of Scale**
- **Inconsistent Processing**
- **Varied Quality**
- **Lack of Overarching Authority/Ownership**
- **Scarce Focus on Risk Mitigation**

- Transactions Approvals
- Process Breakdowns
- Coding Errors
- Exception Processing
- Penalty Resolution
- Balance Discrepancies
- System Errors
- Reporting
- Overpayment Resolution

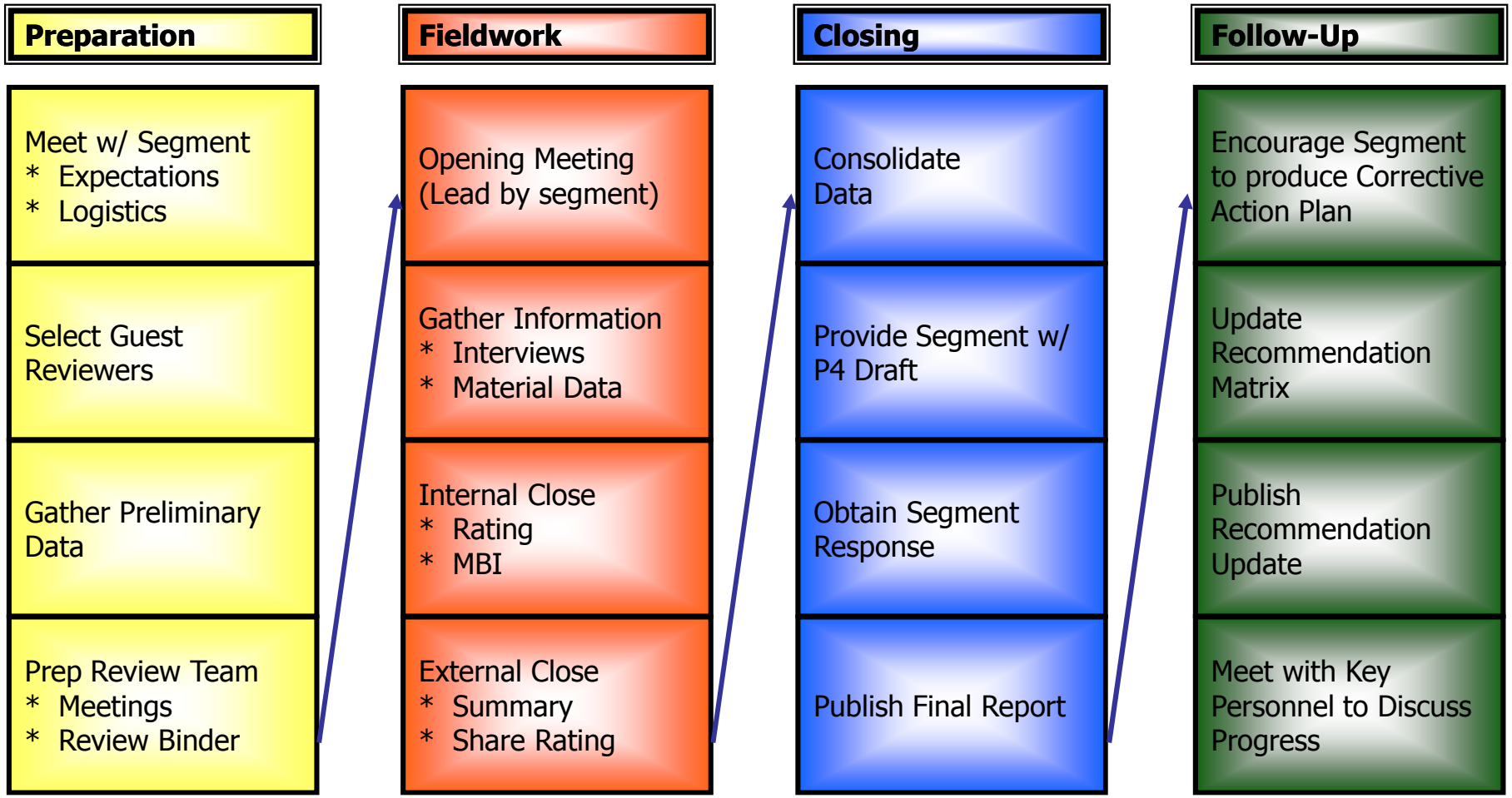
Enterprise Risk Management



Operating Risk

Transactions Approvals	Process Breakdowns	Coding Errors
Exception Processing	Penalty Resolution	Balance Discrepancies
System Errors	Reporting	Overpayment Resolution

RESULTS:

- Potent Risk Focus
- Process Efficiencies
- Preemptive Posture
- Error Trending
- Clear Ownership/Accountability

Paychex Peer Process Program (P4) Review Flow