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2021-2022

TRENDS IN CORPORATE TREASURY 2021-22

DIGITISATION IN A POST-COVID ENVIRONMENT

AN EVOLUTION AND REVOLUTION IN DIGITAL PAYMENTS?

TREASURERS' STRATEGIC D2C ROLE

DRIVING THE ESG AGENDA IN TREASURY

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Content

A JOURNEY TO TREASURY ROADMAP

INTRODUCTION

Over the past year, treasurers have managed the challenges of remote working, rapidly evolving business models, digitisation and an unprecedented focus on environmental, social and governance (ESG) issues. Just as treasurers have adapted, *Journeys to Treasury*, now in its sixth year, has been reinvented to provide more dynamic content throughout the year to support treasurers on their own journey. This year, we have released seven podcasts on the topics on which treasurers expressed most interest in this year's EACT survey. The content from these podcasts forms the basis of the articles in this report.

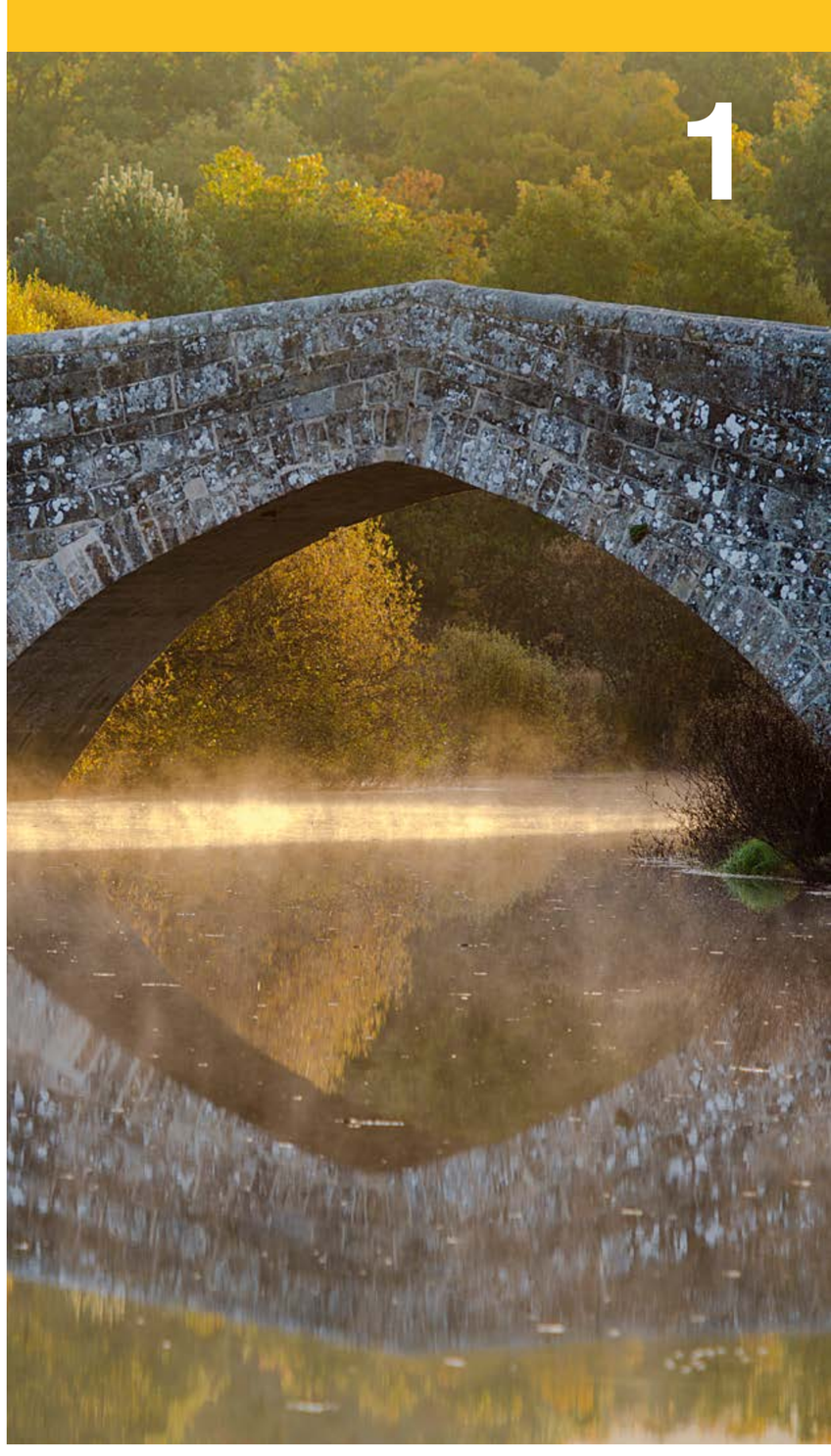
In addition, we have continued the *Journeys to Treasury* tradition of publishing practical case studies from leading treasurers globally on their current projects and priorities. This combination of expert commentary and case studies represents the essence of *Journeys to Treasury*. The report provides a unique, virtual forum for sharing, learning and implementing best practices across the treasury profession, bringing together the distinctive expert insights of the four *Journeys to Treasury* participants: BNP Paribas, PwC, SAP and the EACT, and the companies we both support and represent.

We hope that you enjoy, and are inspired by, this year's *Journeys to Treasury* report. If you would like to find out more about any of the topics or projects described, or would like to participate in future reports, please connect with us on the Journeys to Treasury LinkedIn page.

Thank you

for joining us on our journey.

TRENDS IN CORPORATE TREASURY 2021-22



Treasurers have played a critical role throughout the pandemic, supporting the company's cash, liquidity and risk management needs during an extended period of market and social volatility, compromised working conditions and a rapid shift towards new, digital business models. This article highlights some results of two major studies published this year by the European Association of Corporate Treasurers (EACT) and PwC. These studies explore how treasurers' priorities have developed over the past year and the likely trends as we move into a post-pandemic environment.

Corporate treasury priorities 2021

Cash flow forecasting

For the second year in a row, the EACT survey placed cash flow forecasting as treasurers' most important priority, with 63% highlighting forecasting as one of their top three issues. François Masquelier, EACT notes,

"This finding comes as no surprise. Last year's survey was conducted at the start of the COVID-19 pandemic, which brought huge change and uncertainty in corporate cash and liquidity dynamics. Now, as we look ahead to a very different consumer and business environment compared with pre-pandemic days, treasurers are once again challenged to understand, model and influence future cash flow and liquidity to maintain the financial health of the business."

However, while many of the 2021 priorities echo those of 2020, a notable change is the importance of risk management. In 2020, risk management was ranked 9th amongst treasurers' priorities. In 2021, this jumped to 3rd, reflecting the new perception of risk that has characterised the past year.

Treasury digitisation and technology innovation

The 2nd most commonly cited priority in 2021 (compared with 4th in 2020) was treasury digitisation, at 43%. Twenty eight percent (28%) also noted that review or replacement of their treasury technology was one of their three major priorities in the coming year. Christian Mnich, SAP comments,

"Digitisation is at the heart of treasury optimisation. Treasurers are exploring opportunities for data analytics (54%), robotic process automation (40%) and the use of application programming interfaces (APIs) (36%) to digitise processes, enhance the quality of data and harness it more effectively, and facilitate the real-time exchange of data and transactions."

Data and the Value of Treasury

PwC's research drills down further into how these digital capabilities can be best used in practice. For example, one of the benefits of improved data and analytics is that treasury is better able to demonstrate the value that it brings to the enterprise, creating a virtual circle in which treasury can continue to expand its influence over the components that contribute to liquidity and risk. Whether

treasury is undertaking a working capital assessment, liquidity analysis, bank fee evaluation or business case for technology investment, it is impossible to build a compelling narrative without visibility over the relevant data.

Risk and real-time

As the EACT survey emphasises, treasurers are highly motivated by opportunities to exchange data and transactions, and manage liquidity in real-time. As digital business models evolve, with the growing expectation of immediate fulfilment of goods and services, the need for real-time or just-in-time treasury processes and decision-making is likely to continue to grow, with new solutions emerging to meet these changing needs.

Treasurers' role in ESG

As PwC's survey explores, environmental, social and governance (ESG) issues have become an increasingly important element of corporate strategy over recent years. As yet, however, treasurers have not yet fully embraced the ESG agenda in their departments. For example, the EACT survey illustrates that many treasurers have relatively little involvement in their company's ESG agenda at present, with activities often limited to reducing business travel and working from home (which is likely to be more the result of business continuity plans during the pandemic than part of an ESG strategy). Sustainable bonds and borrowings have grown in importance since last year, but there remains considerable potential to improve treasury's contribution to the company's ESG performance.

There are still challenges to overcome, however. For example, the PwC study reveals that most treasurers do not include ESG issues when making investment decisions. One reason for this is the lack of consistent metrics and reporting, with multiple reporting agencies and frameworks, making it difficult to establish a cohesive ESG-driven investment strategy.

Sarah Korykora, PwC comments,

"Every part of the business is tasked to play a role in companies' sustainability agenda, and treasury is no exception. In addition to borrowing and investment, there are a number of ways in which treasurers can embed ESG criteria into their operations, through processes, controls and recruitment practices. One client recently launched a project to evaluate their banking partners based on their ESG performance, including both internal metrics, but also external activities, such as financing of fossil fuels. Although this client has a mature sustainability agenda, we expect to see more companies reviewing their service providers through an ESG lens."

The wider treasury community

Although treasury has a distinct set of responsibilities, its scope of influence extends across the business, touching on all elements of the financial supply chain. PwC's survey reveals that building relationships between treasury and the wider business is a major focus of attention. It is CFOs' third most important priority, after cash and liquidity management, and funding and capital structure.

Jan Dirk van Beusekom, BNP Paribas notes,

"Treasury's wider relationships across the business, such as accounts payable and receivable, sales and eCommerce, have become increasingly important during the pandemic to forecast and support cash and liquidity requirements. As corporations pursue new, digital business models, and seek to create financial efficiency across ecosystems, treasury's internal and external relationships will become more important than ever."

ABOUT THE SURVEYS

EACT Treasury Survey 2021

- Pan-European survey including over 300 senior treasurers
- Published annually in conjunction with the EACT Summit
- Helps to define the agenda and content of the EACT Summit and Journeys to Treasury

PwC Global Treasury Benchmarking Survey 2021

- Global study including over 300 (to date) senior treasurers and CFOs
- Published every two years as a flagship thought leadership and research report

CASE STUDY

Transforming Treasury through Technology

Catherine Cledel, Group Treasurer, Théa Group

Independent pharmaceutical group Théa has a small treasury team with cash, treasury and risk management responsibilities across its global footprint. Historically, treasury has used spreadsheets and manual processes to manage these activities, so five years ago, treasury put in place a new software solution to support more centralised operations. However, the COVID-19 crisis emphasised the value of further enhancements to process efficiency and controls. Before the pandemic struck, Théa Group's treasury had started to embrace digitisation and automation in FX risk management. Its success has helped pave the way for a transformation in the treasury and finance function, as this article by Catherine Cledel, Group Treasurer at Théa outlines.

Addressing FX challenges

With operations in 70 countries globally, and exposures in 30 currencies, resulting from both purchasing and sales, FX risk management is a significant treasury activity for Théa Group. Each subsidiary invoices customers in local currency, and we manage our FX risk centrally in group treasury. To help manage the scale and complexity of our FX hedging, within a small team, we implemented Kantox for some currencies. This is an automated currency management tool that helps automate our exposure reporting and hedging process. This capability has proved particularly important during the pandemic, both due to high levels of FX volatility, and the challenges associated with remote working.

Establishing project objectives

Before implementing Kantox, FX exposure management and hedging took a significant amount of time and resources, with manual processes leading to the risk of error and omission. We therefore realised that we needed to implement a more automated FX solution, and outlined the following objectives:

- Increase efficiency and automation in FX management to reduce manual intervention and resource requirements
- Reinforce internal controls to increase security and auditability
- Take a more strategic and systematic approach to currency hedging to comply with treasury policy and take advantage of favourable hedging opportunities
- Improve FX reporting, with a view to adopting IFRS accounting standards
- Become more resilient and better prepared for rapidly changing market conditions and high volatility.

We conducted research internally, and contacted our partner bank BNP Paribas. The bank recommended Kantox, with which the bank has a strategic partnership. This would enable us to access Kantox's automated currency management capability as an integrated element of our banking solution.

Solution in practice

We have set up hedging rules so that FX hedging takes place automatically, 24/7, based on our preferred thresholds. FX exposures are generated at the point of billing and aggregated in Kantox. Once the system has calculated the hedging requirement, FX orders are transferred directly to CENTRIC, BNP Paribas' integrated digital banking platform for execution.

CASE STUDY

We retain full visibility and control over our exposures and hedging activities via dashboards, which also allow us to adjust our hedging strategies if required, such as in the case of high market volatility in emerging currencies. We also use Defthedge, a third-party risk reporting tool for reporting, decision support, and help with accounting. Kantox enables us to automate our hedge accounting requirements and reporting, whilst maintaining the benefits of dynamic FX management. We have reduced hedging costs, managed our risks more systematically, and ultimately improved our P&L. Furthermore, we have freed up treasury resourcing that can be directed towards other business-critical activities.

Looking ahead

Like most other businesses, the pandemic has prompted us to review our priorities, the way we operate, and the systems we use to support our business. For example, with senior management now seeking an almost real-time view of the net cash position and our financing headroom, the crisis has emphasised the need for timely, accurate and complete visibility of cash.

Our CFO has launched a global transformation project, of which treasury is a part, in order to position the group for further growth, leverage digitisation and automation, and increase our resilience and agility as a finance function. This will involve implementing a treasury management system to support our activities in a more robust and systematic way, improve efficiency and control, and support better reporting and decision-making. These objectives are even more important in a small treasury function. By digitising and automating our operations, we will be able to adapt to changing internal, market and regulatory conditions, and meet the needs of the group more effectively.

ABOUT THÉA GROUP

Théa is an independent pharmaceutical company which specialises in the research, development and commercialisation of eyecare products. Headquartered in France, the Théa group has 35 subsidiaries in Europe, Russia, North and Sub-Saharan Africa, and South America, and works with distributors in other regions. In 2020, Théa Group generated revenues of €603m, of which one third was through its subsidiary in France.

DIGITISATION IN A POST-COVID ENVIRONMENT

Digitisation has been a theme for treasurers and finance managers for many years, but it became a higher priority during the pandemic, as the risks and limitations of manual processes and interactions between systems and counterparties became clear. Over recent months, we have seen an acceleration in treasurers' digital adoption. Initially, the focus was to plug automation gaps. Today, however, treasurers and their systems vendors and banks, are taking a longer term, more strategic approach to digitisation, automation and data.

Digitisation and automation

Digitisation and automation are often used interchangeably, but automation is just one element of digitisation, as Christian Mnich, SAP explains,

"Digitisation is often used as a synonym for automation: the transfer of manual processes onto systems. However, digitisation denotes the wider strategic orientation of the business, and how it is embraces digital transformation and disruptive technology to support new business models."

Although treasury functions are different stages in their digital journeys, automation and wider digitisation objectives are key priorities, and treasurers are keen to build digital skills within their teams. The experiences of remote working during COVID-19 emphasised the value of digitisation and automation: while in many cases, they were a 'nice to have', digital, automated processes and data-driven decision support are now considered essential.

Currently, most treasury functions are at the automation stage of their digital journey, and have not yet reached the full digital transformation stage. Even so, treasurers have demonstrated considerable agility in leveraging new technologies to meet immediate priorities, such as payments processing, working capital and controls in line with C-level priorities.

Damien McMahon, PwC comments,

"During the early stages of the pandemic, bigger treasury management system projects were put on hold as treasurers focused on the immediate liquidity and operational demands of the business. A year ahead, processes and controls have been adapted to support remote working, so treasurers are now able to look ahead. In particular, they are keen to address the limitations of their treasury technology that became apparent during the pandemic – the patches, workarounds and outright holes – and are embarking on replacement, upgrade or reimplementation projects."

Technology project priorities

As treasurers look ahead, they are using the lessons learned during the pandemic to help shape their digital priorities. Company boards demanded access to real-time visibility of liquidity and risk when economic and market volatility was at its height, which is now an essential requirement. Remote working and the heightened fraud and cybersecurity risks emphasised the importance of end-to-end automation and digitisation, as opposed to focusing on automation

of individual processes. And as remote working becomes a more permanent part of future working models, a more strategic approach to business continuity planning is taking shape, with a focus on globally accessible systems, follow-the-sun treasury management and consistent processes and controls across treasury and finance centres.

Addressing the gaps

There remain areas of treasury digitisation and automation that are hard to achieve, but solutions and approaches are emerging to help overcome obstacles, including:

Digitisation of multi-stakeholder processes

Achieving a truly end-to-end digital workflow where collaboration between departments and counterparties is complex, particularly in a remote working environment. Opening a bank account, which should be straightforward task, is an example of this. Multiple departments are involved, including treasury, tax, legal, IT, accounting, accounts payable and accounts receivable, with processes and document verification and signature often taking place in parallel. Increasingly we are seeing new tools emerge to allow parallel processing and track interdependencies, accelerating complex, multi-stakeholder processes whilst maintaining control.

Systems integration

Taking an end-to-end view of liquidity and risk requires not just real-time access to treasury information, but also the ability to integrate this with banking data, and information from across the order-to-cash and purchase-to-pay cycles. Achieving this degree of connectivity can be challenging in practice, particularly between internal systems, which may hold different detail and format of data. Treasurers are increasingly using robotic process automation (RPA) as an alternative to manual rekeying between systems, and is therefore a useful 'fix' in advance of a more integrated technology strategy.

Cashflow forecasting

Cash flow forecasting has been a perennial challenge for treasurers, but timely, accurate data on which to base analysis of future cash flow was essential during the pandemic. In some cases, treasurers have found that a "top down", centrally managed approach to forecasting, using machine learning and data analytics, is a valuable complement, or even is a valuable complement or even alternative to the conventional "bottom up" approach, i.e. collating forecast data from across the business. By adopting a 'top down' approach, it can be easier to model different liquidity management scenarios, and stress test potential strategies.

The role of banks

Treasurers and their system vendors cannot overcome these challenges, nor achieve their wider digitisation objectives alone. Banks also play a significant role, not least not least in providing the tools to integrate transaction and data with treasurers' own systems. Exceptional connectivity, whether through web-based, host-to-host, SWIFT or increasingly API-based solutions are therefore essential. However, a bank's role in treasurers' digital strategy extends further than the point-to-point exchange of transactional data.

Jan Dirk van Beusekom, Head of Strategic Marketing BNP Paribas Cash Management & Trade Finance comments,

"Looking at cash management, for example, we can use the wealth of cash flow information that we hold to deliver data-driven services, such as benchmarking of working capital KPIs. In addition, there is significant potential for banks to act as aggregators and co-ordinators of co-creation communities in areas such as payment services, KYC, onboarding, and cash flow forecasting."

Evolving trends in treasury digitisation

Co-operation and co-creation to bring together the complementary assets, expertise and data of different players in the treasury community is likely to set the tone for future digital innovation.

Christian Mnich, SAP notes,

"With the use of APIs, for example, there is significant potential to develop a platform-based model that brings together complementary service providers, such as banks, trading platforms, payment services providers and market data. Data-as-a-service will also become a reality in the near future."

The success of these initiatives will depend also on the availability of data, and how this is extracted and transferred between systems.

Damien McMahon, PwC emphasises,

"Data is key, and we are seeing an increased focus on building data lakes to hold large volumes of unstructured data. The challenge then is to how to you extract learnings from the data, such as using machine learning (ML) and artificial intelligence (AI)."

RPA will continue to play a role in this initially, but solutions based on rule-based automation, machine learning and artificial intelligence are also likely to become more important. These technologies are not a panacea, and some treasurers prefer rule-based automation over machine learning for some tasks to maintain visibility and auditability.

Treasurers are increasingly relying on digital solutions not only to automate processes and information gathering, but also to accelerate them. As we saw above with cash flow forecasting, one of the most common challenges today is that reports built from 'bottom up' are already outdated by the time they are produced. Consequently, we are likely to see a more dynamic approach to reporting, such as the use of real-time data with predictive analytics to build timely, actionable insights that enable treasurers to support the business more effectively.

CASE STUDY

The Human and Organisational Benefits of the Digital Treasury

Dr Gerd Berghold, Director of Treasury Operations & Digital Treasury, Deutsche Bahn AG

Deutsche Bahn is a leading provider in mobility and logistics, with a constant aim to enhance its operational efficiency, quality of decision-making and governance. As part of this ongoing effort, treasury had automated some elements of its activities, but these initiatives was more tactical than strategic, and 'pockets' of automation lacked the full end-to-end impact that treasury was seeking. In this article, Dr Gerd Berghold, Director of Treasury Operations & Digital Treasury, Deutsche Bahn AG describes some of the initiatives that have taken place as part of its Digital Treasury ambition.

Implementing the core infrastructure

To create a more sustained and far-reaching transformation, Deutsche Bahn embarked on a comprehensive digital programme across finance, treasury and procurement, with a focus on increasing productivity, and implementing new integrated processes and technologies. This would enable the end-to-end flow of transactions and data both across the enterprise, and with the Group's banking partners. In treasury, this included putting in place a treasury management system EBICS and host-to-host connectivity for bank communications, and an FX execution platform.

COVID-19 had a major impact on our 'Digital Treasury (no speech marks' ambition, however, and created significant budget constraints. Even so, by leveraging internal treasury resources, open-source and Deutsche Bahn standard applications, and adopting an agile project approach, we have been able to achieve considerable success.

Digital Treasury in Practice

We have an extensive 'toolkit' to deliver on our Digital Treasury vision, including automation technologies (robotic process automation (RPA), optical character recognition (OCR), the use of Microsoft Power Platform, and electronic signature technologies). We also use analytic technologies (Business Intelligence, online analytical processing (OLAP) and non-relational databases, dashboards, and predictive analytics). These are supplemented with text mining (mailbot, web crawler, and sentiment analysis), web technologies (REST APIs and blockchain), and process mining.

Over the past year, we have employed such technologies across several projects:

Treasury Dashboard

Triggered by the COVID-19 pandemic, we relaunched our Treasury Dashboard, built on the OLAP-application TM1 and the dashboard tool Cubewise, to automatically produce key performance indicators in near-real-time, such as our liquidity positions and counterparty exposures.

Fraud Risk Framework

This consists of a Fraud Monitor, using our payment solution, a REST API interface, and our Mailbot), a Template Quick Check (based on RPA and OCR), and a Fraud Dashboard (based on a web crawler and an R/Shiny dashboard).

Credit Risk Dashboard

This uses a web crawler in connection with a sentiment analysis and an R/Shiny dashboard.

CASE STUDY

End-to-End Guarantees

Our end-to-end guarantee process is based on Microsoft Power Platform, our treasury management system, and electronic signature solution Adobe Sign.

Outcomes

As a result of these projects, we have achieved better risk analysis and assessment, executive decision-making, and risk management. At the same time, by creating these capabilities in-house, as opposed to relying on external or Deutsche Bahn IT resources, we have avoided external software or resourcing costs, and ensured that we maintain expertise within our team. We have also reduced costs and improved productivity by using automation technologies to achieve end-to-end digital processes.

Managing change

We have taken a pragmatic approach to identifying, prioritising and developing digital solutions, without preconceived ideas. This has allowed us to be agile in creating and testing new solutions and approaches, but adapting quickly if these do not meet our needs.

Despite the pace and scale of transformation, the team has responded well to the changes in our business processes, reporting and decision-making, particularly as many of the more tedious and time-consuming processes have been eliminated. However, the move towards a Digital Treasury marks a shift from a process-driven, operational business function to a strategic, digitally-driven department. To adapt to this new culture and business focus, we will need to upskill some parts of treasury, and encourage a change in mindset. We are also prioritising new skills in our treasury recruitment policy, with a focus on technology and digital, project and programme management, as well as specialist treasury domain knowledge.

Future developments

There are various areas of treasury automation that we would like to improve in the future, and we want to retire the remaining document-based processes that we have in place. We aim to implement SWIFT for bank connectivity, and we are exploring the use of APIs; however, a challenge today is the lack of standardisation across banks.

We have not yet achieved fully automated confirmation matching. In the short term, we are using a combination of OCR and robotics to do this, but we expect to implement a more permanent solution in future.

Organisational impact

As a result of implementing our Digital Treasury strategy, we have been able to move from a fixed organisational model, in which each team member has defined responsibilities, to a more fluid approach that allows people to develop skills across different fields of treasury. It has also enabled us to implement a more flexible working model to enhance our employees' experience of working for Deutsche Bahn, and improving their work-life balance. This in turn leads to greater enthusiasm, commitment and productivity, benefitting both employees and our business.

ABOUT DEUTSCHE BAHN

Deutsche Bahn (DB) Group is a leading provider in the mobility and logistics sector, and primarily consists of the integrated rail system and the two major international subsidiaries DB Schenker and DB Arriva. Headquartered in Berlin, Germany, the employs around 340,000 people.

AN EVOLUTION AND REVOLUTION IN DIGITAL PAYMENTS?

3

Although every market and region is at a different level of maturity in the digitisation of payments, digital payment methods and platforms are emerging globally, with an increasing focus on real-time settlement, rich data and an excellent customer experience. In this rapidly changing context, treasurers need to understand both the evolving needs of the business, and changing wider market opportunities, to help realise the company's digital strategy.

What are digital payments?

In some respects, digital payments are simply the next step in the evolution of payments. We have seen a gradual shift from cash and paper-based methods towards electronic payments, such as ACH payments, over the past two decades. However, with the exception of cards, which are not prevalent in every market, it has mainly been businesses that have benefitted from these electronic payment opportunities. As a result, while there are still multiple innovations taking place in business-to-business (B2B) digital payments, whether improving the quality and richness of information, or accelerating payments, it is in the consumer space where the digital payments revolution is really taking place, inspired by the growth of wallet-based and digital payment methods to support eCommerce and online marketplaces.

To support this transformational shift in the way that people and businesses buy and sell, treasurers are tasked to manage the proliferation of customer payment methods without compromising process efficiency. Furthermore, ensuring a positive and cohesive experience, irrespective of the customer's choice of payment method, is essential to creating competitive advantage and maintaining customer loyalty. As new direct-to-consumer (D2C) business models continue to flourish, including proprietary and third-party marketplaces, rentals and subscriptions, the number of incoming payments that a company needs to process, reconcile and post to customer accounts continues to increase. Treasurers therefore need to review any points of friction, delay or manual processing across the collection, bank connectivity, reconciliation and account posting process to avoid any interruption to clients seeking an instant, seamless experience.

The digital payment challenge

Given the acceleration of digital business models during the pandemic, it is no surprise that digital payments are a greater priority for treasurers than ever.

Karsten Kohl, Principal, Financial & Treasury Management, PwC comments,

"According to PwC's most recent treasury benchmarking survey, we found that more than 20% of clients are actively working on integrating digital payment methods into their systems, most notably in the B2C space. For outgoing payments, however, clients are still relying on traditional electronic payments, without exploring newer opportunities, such as instant payments, in part due to constraints on the payment value; however, we expect this to become a greater focus as the payment limit increases."

Massimo Battistella, EACT continues,

"Instant payments are likely to become the new normal in future, both for B2B payments, but also as an alternative to cards in the B2C and C2B space. There remain some obstacles today, not least that not all banks are yet reachable within the SCT Instant scheme. There is also a need for better standardisation around the information linked to each payment."

Integrating new payment methods brings a variety of challenges too, particularly for companies that operate in more than one jurisdiction, and/ or buy and sell cross border.

Christian Mnich, Head of Solution Management, Treasury and Working Capital, SAP explains,

"In many cases, companies have to work with multiple payment services providers (PSPs) which do not necessarily share the same standards, unlike the payment card industry (PCI) standards we see in the card space. This creates particular difficulties when trying to create consistent, end-to-end processes across all payment methods, including in the way that customer data is handled."

Creating a digital payment experience

While there remain challenges to leveraging the full benefits of digital payments, there are a variety of ways to help overcome these challenges. For example, a growing number of companies are considering APIs to ease the connectivity between systems to help create more coherent processes and data flows. In addition, dedicated solution providers provide a single source of connectivity to/ from multiple payment service providers.

Coralie van Zyl, Head of Product Development, Payments and Receivables, BNP Paribas notes,

"While the needs and priorities will differ for each company, most of the pieces of the puzzle to creating a fully digital payment experience already exist. The priority is therefore to understand the use cases, and current and future business models. With APIs, digital payments and automated processes, the entire end-to-end process can be instant, from a customer buying an insurance policy, to reconciling the payment and issuing the policy. Achieving this level of digitisation and automation creates an excellent experience for the customer, but also efficient and transparent processes internally."

Although treasurers do not drive the company's digital business strategy, they have a fundamental role in enabling this strategy, from a technology and process standpoint, and their relationship with banks and vendors. Maintaining regular engagement across procurement, sales, finance, IT and legal teams is essential to help understand and realise strategic plans from end-to-end, many of which have been accelerated through the COVID-19 pandemic.

Future trends in digital payments

The trend towards real-time and digital payments is likely to continue strongly, with issues around cost, ease of integration, and the quality of the customer experience influencing which payment methods gain the most traction. In Europe, the creation of pan-European payment acceptance schemes will help improve digitisation and standardisation, which will in turn drive greater adoption of instant payments. However, for treasurers, it is not just the decision to adopt different payment methods that matters, but how these are connected into the wider valuechain, including the entire order to cash or purchase to pay cycle. This will this require better process integration and automation to share data consistently and in real-time from end to end. The development of digital currencies, particularly central bank digital currencies and possibly also cryptocurrencies, will also create new dynamics in the payments space. Treasurers therefore need to stay informed and up to date, to actively involve themselves in both internal discussions on future strategy, and wider industry conversations on future industry trends.

CASE STUDY

Stepping up to the Global Liquidity Challenge

Derek Chan, Chief Financial Officer, Greater China & North Asia, Thales

Thales has been established in China for over 40 years, but its market presence became firmly imprinted in the mid-1990s with rapid growth ever since. The Group now employs 2,400 people in Greater China and North Asia (comprising mainland China, Hong Kong, Taiwan, South Korea and Japan), of which over 1,500 are located in mainland China. Thales' primary businesses in the region include avionics and ground transportation. While the avionics business has been impacted significantly by the pandemic, investment in ground transportation, such as underground railways, continues to grow. In this article, Derek Chan, Chief Financial Officer of Thales Greater China and North Asia businesses describes the company's transformative approach to cash and liquidity management to help meet short-term liquidity challenges both domestically and globally, and position the Group for further growth in the region.

A major, ongoing challenge for our business is how to optimise the use of our cash. We have a portfolio of businesses in China, which are at different levels of maturity: some are running cash surpluses, while others need cash to fund investment. While this is a situation familiar to many companies and regions, regulatory constraints in China mean that unlocking cash 'trapped' in China can be more challenging than in other regions. For example, having invested overseas cash in China, it can be difficult for a company to repatriate this cash. Our objective was therefore to find the best way to use our cash in China to finance our activities in an optimal way, both in China and internationally.

A catalyst for cash optimisation

In 2019, following Thales' acquisition of digital identity and security leader Gemalto, our footprint in China doubled in size. Although Gemalto's business was complementary to Thales, it created a new industrial context, and greater cash management complexity. We used the acquisition as an opportunity to rethink the way we managed cash and liquidity, and issued a request for quotation (RFQ) to a panel of respected international banks.

Following a rigorous evaluation process, we selected BNP Paribas as our partner bank. We already had a long-term global relationship with the bank across a wide range of activities, including cash and liquidity management, trade finance and foreign exchange. The bank's team in China understood what we were trying to achieve, and took a partnership approach that extended beyond a credit-driven, transactional relationship. Administration requirements can be onerous in China, but another factor in our decision to select BNP Paribas was the team's familiarity and assistance with the relevant processes and documentation requirements, which helped accelerate our project considerably.

Domestic cash concentration

The first step in this process was to rationalise our bank account structure and concentrate our cash across our China entities via a zero-balancing domestic cash pool. As a result, we now have greater visibility and control over our cash balances, and we can finance short term deficits in one entity with surpluses from another in an automated way. We also integrated our cash pool with automated yield enhancement solutions, including contract saving deposits and 7-day call deposits. This meant we could optimise the use of surplus balances held in the cash pool header account and generate a competitive return without the need to dedicate investment resources.

CASE STUDY

Having centralised our cash, we were then in a position to determine more accurately what cash was required within the business in China, and what could be repatriated. Although this was the theory, COVID-19 created a new reality. Not only has the global aviation industry faced challenges on the demand side, other infrastructure markets were also impacted. Cash became king, and there was increased pressure to concentrate cash at our headquarters in Paris where it could be mobilised as required to meet the needs of the wider Group.

Cross-border cash pooling

We responded to this challenging liquidity environment by setting up a cross-border cash pool via the pan-China scheme. This enabled us to mobilise cash held in our domestic cash pool in China more easily, and transfer funds to our Group Treasury in Paris.

Payments, collections and connectivity

As part of our cash and liquidity project, we wanted to improve the way we made and received payments. We had multiple electronic banking systems in place, with payments made via different banks. We have now streamlined our bank connectivity and payments processing by implementing SWIFT as a single channel, and make our payroll payments via BNP Paribas.

By improving our automation, and integrated SWIFT into our internal systems, we now have more efficient, less labour-intensive processes with a high degree of straight-through-processing. We also have better visibility, and more control over the timing of payments, so we can synchronise our payables and receivables more precisely. Although there are still parts of the process that we need to enhance, we have already reduced our working capital requirements successfully, and reduced our administration burden.

We started the project in mid-2020, during the extended period of remote working, and successfully went live on target at the end of 2020. In addition to the efforts of our own team, BNP Paribas was instrumental to the process by providing the right people, a disciplined and rigorous project management approach and – crucially, particularly during remote working – commitment and momentum which helped drive project success.

Looking ahead

We have been through a major financial transformation over the past two years, coinciding with the acquisition of Gemalto and latterly, the pandemic. As we look ahead, we want to leverage the value of the new technology, processes and solutions we have put in place, and further automate and digitise our processes. By doing so, we can redirect our resources from low value to high value activities, and deliver an enhanced service to the business.

We will also look to simplify our accounting processes which are complex and labour-intensive currently, with separate accounting functions for eachentity. This creates a lot of duplication. To achieve this, we have identified a business process outsourcing (BPO) partner to help streamline and automate our accounting activities, and improve the consistency of our reporting.

Digitisation and automation is helping to increase the quality of data that we produce, so the next step is to determine how best to harness this data for analysis purposes and enhance our competitiveness. Although our business in China is growing rapidly, domestic enterprises are typically more agile and quick to take advantage of new opportunities. Our challenge is therefore to balance the risk management and good governance that Thales is known for, with the flexibility and agility to identify and respond to changing market conditions.

TREASURERS' STRATEGIC D2C ROLE

eCommerce has continued to grow and evolve over recent years, but this expansion has been accelerated by COVID 19 as sales moved rapidly online. It is not simply how customers transact that is changing, however, but the way that sellers engage with them. In the past, many companies sold via distributors or retailers, and/ or third-party marketplaces. This made it difficult to develop direct insights, engage directly with consumers and build loyalty.

Today, companies are developing new business models, based on marketplaces and social media platforms to better understand and respond to customer priorities, personalise their experience, and build relationships. Nicolas Vincent, PwC notes,

"Payments play a key role in the convenience, speed and quality of the customer experience. Given treasurers' role in facilitating and reconciling efficient, secure payments and collections, they therefore play a core role in business performance and as such, are no longer a cost centre, but a centre for value creation."

A business transformation

In some cases, the move to D2C represents a transformation of companies' entire product portfolio. For example, customers only want to pay for what they use, when they use it. Anne Ahrens, SAP comments,

"We have already seen this in the hi-tech sector with digital downloads of films, music etc. but the concept extends to vehicles, such as car sharing, and even medical equipment. Companies are also using the opportunity to wrap around additional services, such as servicing or maintenance contracts, to provide a more convenient customer experience."

These shifting business models result in a change in incoming payment and customer risk dynamics, replacing larger payments from distributors with an increasing volume of lower value payments. Reliability of incoming payments becomes increasingly important as companies take on a greater risk to customers, particularly when adopting subscription or contract models, so direct debit and request to pay instruments may become more important in some markets. In many cases, companies are using the opportunity of online, D2C sales to attract overseas customers, which may require new skills, such as managing escrow, international taxes, customs etc. and the need to manage additional foreign exchange and cash management requirements.

A blended approach

While D2C sales models are becoming more important to many companies, these are often additional to, rather than an alternative to existing sales models. As a result, some are looking at how best to create a complementary offering across channels.

Neil Pein, BNP Paribas explains,

"Companies need to take a unified commerce approach, that gives customers a comparable experience whether they engage through online marketplaces, web shops or physical stores. In some cases, we have helped companies to bring

their online offering into stores, enabling them to maximise the goods on display, but enable customers to buy online via in-store tablets if the product they require is not available in-store. This approach also has the benefit of reducing the need to hold large stock levels instore."

From D2C to D2B

It is not only sales to consumers that are experiencing a transformation: there are similar trends taking place in the business-to-business (B2B) space. For example, companies that sell to small and medium-sized businesses often do so through distributors, but online channels enable them to sell direct, create a more personalised experience, and potentially add service 'bundles'. Software as a service, licensing subscriptions, rentals and pay per use models also offer particularly opportunities for B2B sales, as Anne Ahrens noted earlier with reference to medical equipment.

The future of digital retail models

Anne Ahrens, SAP predicts,

"We expect the current trend to continue, with more and more of these scenarios emerging. Treasurers should be involved from the very beginning of this business transformation to ensure that issues such as appropriate payment methods, the ability to reconcile payments quickly, and scalability are taken into account, particularly given the move from a high value, low volume payment scenario to low value, high volume. The foreign currency and export considerations also need to be considered if companies are expanding their sales models into new markets. Automation, digitisation, transparency and an understanding of regulatory requirements in each sales market are key drivers of success."

Neil Pein, BNP Paribas agrees,

"Treasurers need to be at the centre of the revolution in payments and sales models that we are seeing today. Working closely with a trusted partner bank is essential to ensure that the right payment and cash management solutions are in place, and to gain the necessary insights into payment cultures and regulations in each market."

Nicolas Vincent, PwC concludes,

"The benefit of D2C models is the ability to access customers directly to better understand their behaviour, needs and expectations. This data, and using this data to drive strategy, is gold, and companies need to focus how best to derive the full benefit. As we've discussed, payments play a major role in the customer experience, which is an area that some treasurers have not been fully focused in the past. As the payment value chain becomes more complex, with more solutions, and more cross-border activities, treasurers need to develop their payments expertise, internal connections across the business and understanding of how best to use data. By doing so, they can become a valuable partner to the business and an agent of growth."

CASE STUDY

Realising the Digital Treasury

Christian Schmahl, Treasury Director, Delivery Hero

Delivery Hero is one of the great successes of the digital era, and a flagship for the platform business model. Founded in 2011, it was listed on the DAX within only a decade, and operates in c. 50 countries around the world. In this article, Delivery Hero's Treasury Director, Christian Schmahl discusses the experience of founding and operating a 'greenfield' treasury in a fast-growing digital business.

Like many companies, we started our treasury journey with a centralised global treasury, but as our business grew, both organically and through M&A, we took a more regionalised approach, which is consistent with our wider operating model. We now have a treasury team of 15 professionals, operating in Berlin (Global Treasury Centre), Singapore (Asia Pacific), Dubai (Middle East & North Africa) and Uruguay (Latin America). By combining a global approach to processes, controls and technology, with close proximity and deep insights to our local markets, we can support the business effectively without creating operational risk or fragmentation.

Managing scale and complexity

Delivery Hero has grown 100% year on year, resulting in rapidly increasing scale and complexity in treasury. This creates a challenging dynamic: on one hand, it is exciting to be part of such a fast-growing business, on the other, we need to demonstrate good governance and compliance as required for a DAX-listed company, and best practices in treasury and finance management.

Instead of expanding headcount to manage these requirements, our aim from the start was to create a digital treasury from end-to-end that was standardised, automated and scalable. By doing so, we could manage current and future demands, whilst ensuring from the outset that we had a focused, professional team that delivered value to the business rather than processing transactions.

We did this by implementing SAP S4/HANA as our digitally-enabled core platform for treasury, which supports all cash management, risk management, bank connectivity and data analytics requirements. With increasingly demanding treasury requirements, and escalating payment volumes, we took a standardised approach to implementation to enable us to roll out the platform at pace. We now manage over 110,000 payments per day (as at February 2021) with automated vendor payments in more than 20 countries, and automated restaurant payments in over 9 countries.

Realising a real-time ambition

In many respects, our digital treasury objectives: standardisation, automation and scalability are not new. After all, these have been treasury goals for many years. However, increasingly, there is the opportunity for processes and information flows to take place in real-time. This creates a very different dynamic in treasury, but is essential to platform businesses such as Delivery Hero, which create competitive advantage through the speed with which data and cash flows can be exchanged across our ecosystem.

Realising this ambition is a little easier for Delivery Hero than some longer-established businesses. We were setting up our treasury function from scratch, so we did not have to deal with legacy processes, technology and mindset. We have 5 core partner banks, and a highly engaged IT and fintech team that work closely with treasury to achieve the

CASE STUDY

end-to-end payment automation and integration that we need. One key driver of success is our ability to support local payment requirements, such as wallet-based rider payments in Asia Pacific. We piloted this solution in Singapore, but we are now benefitting from our standard processes and technology to roll out the solution across various markets within the region at scale and at pace.

Our experiences in digitising and automating our treasury processes have emphasised that the concept of the real-time digital treasury is not a future vision, but an objective for today. COVID-19 accelerated the digitisation trend, and emphasised the risks and friction associated with manual documentation and 'wet' signatures, but it simply helped to realise an existing objective. We have already seen major progress in digitisation of formerly manually-intensive tasks such as bank account management, but there is significant untapped opportunity. We can also see potential for technologies such as blockchain, such as for smart contracts, and robotics to replace routine tasks. Collaboration within businesses, and with partner banks and technology vendors, will be key to leveraging these opportunities to create solutions that deliver demonstrable value.

Sharing advice

Treasurers and their banks tend to differentiate between traditional businesses and digitally-led, platform businesses. In reality, digitisation and real-time automation are relevant – and indeed, will be essential to future success – for every business. The challenge for some, however, is to create a business case and budget to digitise and automate processes and technologies that have evolved over many years.

Whether or not a treasury function is new or established, it is important to have a clear vision of the digital treasury, and what it will deliver to the organisation. This vision may seem unrealistic, but working towards an end goal will help in getting the basic building blocks right at the beginning. With the right structures and technology in place, and a clear vision, it becomes easier to realise the end-to-end standardisation, real-time automation and scalability on which the digital treasury will rely.

About Delivery Hero

Delivery Hero was founded in Frankfurt, Germany in 2011 as an online delivery company, and went public on the Frankfurt Stock Exchange in 2017. In 2020, it entered the DAX, an index listing the 30 largest companies trading on the Frankfurt Stock Exchange. The company provides doorstep delivery in 4 continents and 50 countries globally. Delivery Hero became carbon-neutral in 2021.

DRIVING THE ESG AGENDA IN TREASURY

As businesses in all industries place environmental, social and governance (ESG) issues at the core of their strategy, treasurers are keen to support and contribute proactively to the company's ESG agenda. Given the breadth of sustainability and ESG issues, and diverse priorities, it can be difficult to determine where to focus to make the most impact.

Importance of ESG for treasury

Profitability has traditionally been the primary measure of a company's success, but increasingly, customers, investors, employees and other stakeholders are calling on businesses to be good corporate citizens and prioritise environmental and social objectives. The responsibility of corporate citizenship falls on treasury in the same way as every other business function. This needs to be reflected in financing, investment and risk management. Treasurers also play a significant role in choosing key suppliers and business partners, such as banks, and measuring counterparty risk. Banks' and suppliers' values need to be aligned with the company. Otherwise, suppliers' poor ESG performance can jeopardise the company's own ESG ambitions, and risk reputational damage. Consequently, treasurers need to engage with the ESG agenda and determine how they can contribute, whilst also helping to support more sustainable supply chains.

Overcoming obstacles

Companies taking an early lead on sustainability issues were often challenged to identify what ESG and sustainability meant in practice, and what measures they should use. Today, companies typically align their ESG objectives with the United Nations Sustainable Development Goals; however, there can still be some uncertainty when translating these objectives into appropriate metrics that can be measured in a transparent and auditable way, particularly when looking at ESG performance across supply chains.

Patrick Simeon, EACT highlights,

"The lack of clear and auditable metrics is an obstacle to a credible and robust sustainability financing market; however, there is progress underway, such as European Union's Sustainability-Related Disclosure Regulation (SFDR) in 2019, and Taxonomy Regulation in 2020."

Treasurers do not lead on the sustainability agenda, but they have an important influencing role due to their bank relationships, and role in risk management, financing, investment and trade finance, each of which is impacted by the company's sustainability strategy and objectives. This involves collaboration with multiple divisions within the business, such as procurement, sales, accounts payable, head of sustainability and CFO.

Financing responsible businesses and supply chains

Within treasurers' specific areas of responsibilities, the opportunities to contribute to, demonstrate and finance the sustainability agenda are growing rapidly. Green issuance reached a record $269.5 billion in 2020, led by United States, Germany, France, China and the Netherlands. Mobility companies, both transport operators and automotive industry were amongst the most prevalent corporate

issuers. Blue bonds, other sustainable bonds and sustainability-linked loans have also experienced significant growth.

From an investment perspective too, improved disclosure and monitoring is helping to create new investment opportunities, including sustainable deposits, and a growing range of ESG funds.

Viktor Ivanov, Head of Sustainability for Transaction Banking, EMEA, BNP Paribas explains,

"We recently launched sustainable deposits, an innovative offering based on traditional term deposits, whereby the money that clients invest is used to support a portfolio of loans that have a direct and positive contribution to the United Nations Sustainable Development Goals."

Influencing change

Treasurers also have the opportunity to drive change through their partnerships, such as with banks. Increasingly, treasurers are including ESG performance and strategy as part of their bank and technology vendor selection criteria, which in turn influences their priorities. Banks are taking this responsibility seriously, as

Stanton Miller, Deputy Head of Treasury Solutions, Bank of the West comments,

"Banks need to step up and lead the ESG discussion. Banks lend $9 of every $10 that is invested, so where treasurers put their money matters . Bank of the West, for example, we are restricting financing for environmentally harmful activities, such as arctic drilling, coal-fired power generation, big tobacco and palm oil, and prioritising investment in sustainability. We're also working collectively for others, including becoming the only major bank member of 1% For the Planet, the Conservation Alliance, Protect our Winters and the Sustainable Ocean Alliance."

Treasurers also have a role in influencing and shaping ESG performance across their supply chains, which is essential given that suppliers (whether direct (or tier one) or indirect (or tier two onwards)) will often represent the largest part of a company's environmental and social footprint. While procurement and sustainability teams will typically work with suppliers to establish common ESG objectives and monitoring, treasurers can support the process through innovative sustainable financing, including trade finance and reverse factoring (supply chain finance).

Starting on the ESG journey

Treasurers are at different stages in shaping the environmental and social priorities within their own teams, including diversity and inclusion, and contributing to the company's wider ESG agenda, and those earlier in in this journey may find it difficult to determine where best to start.

Stanton Miller, Bank of the West urges,

"Take the opportunity to learn about what's happening in your own business, amongst your competitors and more widely. And when you've identified the key priorities for your business, decide on one aspect of ESG to start with. Start small - It could be building a roadmap, or building ESG considerations into a business decision, don't worry about it being perfect, but just start."

NOTES

1 - https://www.climatebonds.net/2021/01/record-2695bn-green-issuance-2020-late-surge-sees-pandemic-year-pip-2019-total-3bn

2 - https://www.bankofthewest.com/campaigns/small-business/whatonearth.html

CASE STUDY

Planting Sustainability in Treasury for Growth and Success

Pasi Kyckling, Group Treasurer, Stora Enso

Building on its heritage and know-how in sustainable forestry and renewable raw materials, Stora Enso has a unique position in the global sustainability agenda. Today, its products are found across the building, retail, food and beverages, manufacturing, publishing, pharmaceutical, cosmetics, confectionery, hygiene and textile sectors. Tomorrow, Stora Enso is realising a vision in which anything that's made with fossil-based materials can be made from a tree. In this article, Pasi Kyckling, Group Treasurer at Stora Enso, describes the contribution that treasury is making, both to support internal sustainability objectives, and influence the wider treasury and banking community.

Towards a greener treasury

Sustainability is at the core of our strategic agenda, and every part of the business has a distinct role to play, according to their activities and responsibilities. Since 2017, treasury has been looking at what the sustainability agenda means for us, how we can contribute, and crucially, how we can balance sustainability with our other priorities. This has been challenging, particularly early in this journey when there were few examples of how treasury was participating in sustainability initiatives. However, as we have explored and learnt more about the challenges and opportunities, we recognise that sustainability contributes, rather than conflicts with treasury's wider priorities, by opening up new seams of economic value, and supporting the business more effectively.

Sustainability at Stora Enso covers the social, environmental, and economic responsibility of our operations throughout the value chain

Social – we care about all our people, respect local communities and conduct ethical business

Environmental – we use natural resources with care, combat global warming, and respect the environment

Economic – we help customers to be sustainable, choose like-minded partners, and reward investors sustainably

Human rights – our commitment to respect human rights covers all our operations, including our employees, contractors, suppliers and surrounding communities.

One of the key ways in which treasury at Stora Enso has both supported and driven sustainability is by accessing green financing. In 2017, we were one of the first corporations in Northern Europe, and the first in the Nordics, to introduce a sustainability-linked revolving credit facility (RCF). This operates in the same way as a traditional RCF; however, part of the pricing is linked to our science-based targets to reduce our carbon emissions. While this type of structure has become more familiar today, this was a highly innovative concept when first introduced. From a Stora Enso perspective, we were able to – quite literally – demonstrate our sustainability commitment in financial terms, ultimately delivering both environmental and economic value.

Since then, we have pursued further opportunities for sustainable financing. We created a green bonds framework, within which we have issued a number of green bonds. Today, around one third (EUR 1.5bn) of our total debt portfolio (EUR 4.5bn) is a green instrument, a proportion that we expect to increase further.

We also recognise our wider role in promoting sustainability amongst our suppliers and business partners. We are particularly proud of encouraging all of our banking partners to sign up to our supplier code of conduct, which is a challenge given the diversity of banks that we work with, and their varying stakeholder interests.

CASE STUDY

Sustainability in decision-making

Sustainability is not only part of our operational decision-making, but also our strategic planning. For example, sustainability criteria are now embedded into our M&A evaluation process. Likewise, we have rigorous environmental and social key performance indicators (KPIs), such as carbon emissions and workforce health and safety, as part of our monitoring of capital-intensive projects.

The wellbeing of our workforce is an important priority across Stora Enso. During COVID-19, we have made every effort to keep our people well and safe, but this is an ongoing priority beyond the pandemic. A large proportion of our workforce is engaged on manufacturing sites, so they have not been able to work from home as office-based staff have done. We are therefore being proactive in looking at the occupational health and safety of all our people, whatever their place of work, as a vital way to ensuring the health and sustainability of our business.

A greener future

Looking ahead, we have a number of sustainability initiatives underway, including ensuring that we meet changing market and regulatory requirements. For example, the EU Taxonomy Regulations to define criteria for measuring sustainability will have significant implications for us, which we need to take into account in our plans and priorities. Internally too, we are looking to progress our sustainability agenda further, such as enhancing biodiversity as part of sustainable forest management. In treasury, we continue to explore new green financing opportunities, and also 'go green' through new products, or modifications to existing products, such as supply chain financing. During 2021, we will also be refinancing our sustainability-linked RCF.

Sharing advice

It can take time to win hearts and minds when embracing a new culture or set of priorities. When first approaching sustainability in treasury, it is important to understand what the objectives are, and what treasury can achieve. While there is plenty of external advice available, which can be helpful in establishing a direction and identifying opportunities, sustainability needs to be part of an organisation's DNA, so it is important to take responsibility and drive initiatives from within the business.

Once treasurers understand the scale of opportunity for impact and influence, embracing sustainability and its implications presents a valuable and fascinating learning experience, and creates a new lens through which to look at traditional treasury activities. There are also new stakeholders to engage, which is interesting and personally satisfying, so it is valuable to spend time with sustainability leaders in the business and understand how to work on common priorities.

The market for green and sustainable products is growing, a trend that has accelerated over the past year. Even so, we are still only at the beginning of a new era in driving social, environmental and economic sustainability across value chains to make positive and permanent changes to our environment and communities. As sustainability becomes central to stakeholder priorities, all companies - and their treasurers - need to respond and adapt their agendas to achieve future success.

ABOUT STORA ENSO

Stora Enso is a leading global provider of renewable solutions in packaging, biomaterials, wooden construction and paper. The company has around 23,000 employees, sales in more than 50 countries, and is publicly listed on the Helsinki and Stockholm stock exchanges. Sales in 2020 were EUR 8.6 billion, with an operational EBIT of EUR 650 million.

WHAT DOES THE PAST YEAR SHOW US ABOUT THE FUTURE OF TREASURY?

6

Eighteen months since the pandemic closed our offices, treasurers are looking back at the experience of remote working, and thinking about what their treasury organisation might look like in the future. How can treasurers make their teams more successful, whether working at home, in the office, or a combination of the two?

Accelerating the digitisation trend

The pandemic did not bring in the digital world; rather, we saw five years' evolution compressed into just one year. Although the rapid shift to remote working was difficult for some teams, this was often due to existing challenges that were exacerbated by the crisis, rather than entirely new issues. For example, many treasurers were already experiencing difficulties resulting from an over-reliance on paper and manual processes. Today, few treasurers doubt the value of digitisation and automation. As Steffen Diel, Head of Global Treasury, SAP notes,

"It is essential to have stable processes that are centralised and automated, with as few touchpoints as possible. We manage almost 100% of our payments through a centralised payment factory, for example, with payments channelled through our ERP. This meant that our payment processes could continue without interruption when shared service centre staff moved to home offices, which would have been far more difficult with multiple electronic banking systems, security tokens etc."

Remote working has also brought greater adaptability and agility, as Steffen Diel continues,

"Remote working increases flexibility, as you can shift tasks across teams and locations more easily, and develop robust back-up strategies that give the business greater stability."

Shaping the future of work

There are challenges and drawbacks with remote working, however, which treasurers need to consider when they look at future working models. Onboarding new team members can be difficult, not necessarily in defining and communicating the role, but ensuring sufficient time, empathy and dedication to ensure that the team shares a common culture. Coaching and mentoring becomes more important when treasurers need to steer younger employees who are at an early stage in their career to help build their networks and develop a wider view of finance processes.

The reality is that there will be no single model – whether home or office-based - that suits every treasury. The challenge will be to create the right balance that supports productivity, team culture and internal and external relationships. Barbara Pinzan, Director, PwC explains,

"The feasibility of virtual working, and its complexity, will depend on how the treasury organisation is structured, whether it is organised by function, process or geography, or based on a type of matrix structure.

She continues,

"Once you understand your structure, the next step is to look at the level of interaction and infrastructure required.

How often do employees need to engage with other people, whether internal or external? And to what extent is the technology infrastructure that people need available from home? If your employees need a high level of interaction and infrastructure, then working from home will be far more difficult. If some roles, or even the whole department has relatively little need, treasurers can be more ambitious in embracing a virtual way of working."

Bringing the human into the home office

But beyond the technical and organisational issues around remote working, treasurers need to use the lessons of the past year to shape a positive working culture, whether home-based, office-based or both. Many people's mental health has been affected by long days in a restricted environment, in which the balance between work and home life has become blurred or disappeared altogether. Future working models cannot continue a situation in which people are simply coping: treasurers need to consider how they will motivate and engage their teams and maintain productivity.

Barbara Pinzan, PwC emphasises,

"As people moved to remote working during the pandemic, existing performance characteristics were exacerbated: less productive teams became less productive, while productive teams became even more productive. To maintain productivity, people need to be aware of team and individual goals, feel listened to, valued, and enabled with the right remote tools."

The impact on the future treasury organisation

The combination of digital acceleration, new working practices, and transformed business models in many industries creates a unique set of circumstances that make it difficult to predict how treasury organisations will adapt and change in the future.

Steffen Diel, SAP suggests,

"The need for a clear segregation of duties has shaped treasury organisations in the past, but with systems allowing very specific personal profiles to be defined, there is less need for a strict definition of front, middle and back office functions. This will make treasury organisations more flexible and versatile, and enable treasury professionals to expand their skill sets. Digital transformation will also continue, not only to simplify, standardise and automate of existing processes, in which many treasurers have made considerable progress, but to embrace new technologies to improve the quality and speed of decision-making".

New treasury models will also impact on the skills that treasurers need, as

Mike Richards, CEO, The Treasury Recruitment Company (TRC) comments,

"While the 'core' treasury skills will continue to be essential, a digital mindset will become increasingly important. This involves the ability – and curiosity – to understand existing and emerging technology and their potential use cases, translate business needs into functional requirements, and leverage data to deliver value to the enterprise. But just as

important is the human element. Few treasurers have had management training, but in a remote or hybrid environment, leadership and the ability to coach and mentor professional teams has become more important than ever."

As we look towards the 'new normal', treasurers are starting to look ahead with greater confidence – if not greater certainty. Treasury recruitment is starting to pick up, and many treasury professionals who have felt their careers have been 'on hold' over the past year are keen to look at new opportunities that leverage the new experiences, insights and perspectives they have gained over the past year.

Mike Richards, TRC advises,

"The past year has been hard. Tell people clearly and specifically about what you have done, what you have achieved and what problems you have solved."

Just as important is for treasurers to use their experiences to position their treasury organisations for success. Mike Richards concludes,

"There is still so much uncertainty about the way that treasury teams will work in the future. But more than just the balance between remote and office-based working is how to create an integrated team in which people feel empowered, valued and trusted. Treasurers need to consider how to be a better people manager, and how to create the conditions for people to succeed, whether at home or in the office."

10 TIPS FOR VIRTUAL WORKING

- Human touch - virtual working is not just about technology, the human touch is at least as important, and more so virtually than in the office
- Visible leadership
- Connect with your teams
- Create shared goals and expectations
- Encourage ownership and accountability
- Handle energy positively - problems that can be resolved easily over a coffee gain far greater proportions when working virtually
- Provide the enablers people need for virtual working
- Delegate appropriately
- Ensure that the work that's happening is visible
- Celebrate and reinforce good behaviours and successes

Barbara Pinzan, Director, PwC

CASE STUDY

A Global Platform during a Global Pandemic

Isabelle Badoux, Head of Global Treasury Operations,
Systems and Treasury Transformation, Sanofi

Sanofi is dedicated to supporting people through their health challenges. We are a global biopharmaceutical company focused on human health. We prevent illness with vaccines, and provide innovative treatments to fight pain and ease suffering. We stand by the few who suffer from rare diseases and the millions with long-term chronic conditions. With more than 100,000 people in 100 countries, Sanofi is transforming scientific innovation into healthcare solutions around the globe.

Sanofi's commitment to innovation extends not only to its healthcare solutions, but also its internal processes. In 2017, Sanofi launched a flagship project to implement a global ERP across the group and provide an integrated platform to support its operational and strategic ambitions. At the same time, Sanofi launched a treasury transformation programme. Isabelle Badoux, Sanofi's Head of Global Treasury Operations, Systems and Treasury Transformation, describes the impact of this project on treasury, and the factors that have driven its success.

Project Background

Sanofi has a sophisticated treasury function, but to keep pace with our increasing responsibilities and ambitions, we needed to upgrade our systems infrastructure. Our aim was develop one system for multiple stakeholders, offer enhanced, real-time visibility of data, achieve better collaboration and greater flexibility.

In 2017, the decision was made at group level to implement a global instance of SAP ERP based on new S/4HANA technology. This would allow us to rationalise treasury processes and data and implement treasury best practices based on SAP Treasury, fully integrated with finance. The project was initiated as a multi-year programme, with a series of project phases. Treasury processes were deployed alongside the ERP implementation, starting in July 2018, and the full core treasury solution was deployed in September 2020.

Adapting to the new reality

Given the timing, the treasury implementation was inevitably challenged by the COVID-19 pandemic. We moved to remote working just before we started on a training programme to support user acceptance testing. Fortunately, Sanofi was well-equipped to support remote working. We quickly adapted to the new environment by setting up smaller training sessions delivered via telecommunication platforms. User acceptance testing was more difficult when people could not work together on-site, but we overcame this with detailed test scripts and virtual support rooms, with people available online, all day, throughout this period to help with user queries.

Our users did brilliantly by stepping up to the challenge of taking on a new and unfamiliar system during remote working, and we worked hard to provide them with the support they needed. Whereas under normal circumstances, people can experiment and explore how they will use a new system, it was far more difficult to do this in a remote working environment. This was a tremendous challenge as we could not manage a parallel run between our legacy treasury systems and SAP.

CASE STUDY

Leveraging the benefits of an integrated technology environment

The experience of moving to a single ERP, which provides both an integrated environment within and beyond treasury, represents a major step change for our business, including:

Integration. By eliminating most of our ancillary systems, we have reduced the number of interfaces, and became directly integrated with finance.

Streamlining processes. Previously, processes such as a cash and accounting reconciliation were separate, with considerable scope for differences; today, these are single processes based on the same core data.

Liquidity. Liquidity is far easier to manage, with timely, accurate visibility over our current and forecast cash position on a group basis.

FX exposure management. Under the legacy process, we had to collate FX exposures from across the business manually. We now have an aggregate position of exposures across entities, with automated dealing to streamline FX risk management. This is a considerable enhancement that we are keen to extend further as additional entities migrate to the new SAP platform.

Bank connectivity. This was an important priority for Sanofi, considering the high daily volumes settled via SWIFT. We have implemented direct SWIFT connectivity through SAP via SWIFT Alliance Access (i.e. without the use of a service bureau), enabling efficient, secure straight-through-processing, whilst remaining bank and vendor agnostic.

Adapting to change

It takes time to become accustomed to a new user experience of operating on a single, groupwide system in treasury. However, we are working far more collaboratively, both within treasury teams and more widely across the business. We are also changing the way we communicate, with a single source of the truth accessible by all relevant users, so we can spend our time discussing and analysing, and making more informed decisions. People understand each other better, and how the tasks and activities they perform contribute to the wider business.

Planning for the new future of work

Over the next two to three years, we will be migrating Sanofi's remaining entities onto SAP. We will also deploy our core model to our consumer healthcare business, providing it with the technology and resources so it can operate as a standalone entity within the group.

Now that the core model is in place, future deployments will be more straightforward and integral to the rollout of the central ERP. In addition, to better control upgrades and become more agile when taking on new capabilities, we are working with SAP to extend its down port capabilities to treasury, so we can adopt new functionality without the need for a full upgrade. This will allow treasury to revert to being a small, agile team, focused on optimising the way we use SAP to fulfil our specific cash, treasury, and risk management responsibilities, and manage bank relationships and connectivity.

As we look ahead, we are planning our future working model, based on structured teleworking. We expect that people will work remotely at least two days a week, so we are prioritising digitization and automation, as well as cloud-based solutions to support this model.

Sharing experiences

Even while facing a global pandemic, our migration to SAP has been an important success in treasury and the wider business. There were several reasons for this success:

Dedicated project resourcing. Some treasuries plan their technology implementation projects on the basis that their treasury team will work part-time on the project alongside their day-to-day responsibilities. In contrast, we set up a dedicated project team, with the right skills and staffing. This proved essential to manage the demands of the project without impacting on our normal treasury business.

Embracing change and best practices. It can be tempting to try and replicate existing processes and data structures in their current form, rather than leveraging the capabilities of a new system. This can be detrimental by attempting to "force" the system to work in a way for which it is not designed, while ignoring potential opportunities to improve processes and adopt best practices.

Selecting the right implementation partner. While it was our intention to retain project skills and experience in-house, which we succeeded in doing, we also recognised the value of engaging specialist expertise to support us. We had a consulting partner working on the SAP migration at a group level, but we also secured SAP specialist treasury consultancy support, INTENSUM, which helped us to overcome obstacles, challenge SAP and make the best use of the treasury functionality provided in SAP.

CONCLUSIONS AND REFLECTIONS

Over the period that we have released our podcast series, Journeys to Treasury participants have had the opportunity to reflect on the year that has passed, and the year ahead. In this final article, the Journeys to Treasury team share their thoughts and reflections.

Perspectives on 2021

Although innovation and digitisation continue to be major themes, the fundamentals of treasury remain the same, with digital technologies enabling rather than distracting from treasurers' key responsibilities. As Francois Masquelier, EACT comments,

"Treasurers must address four questions:

- **How and where will I collect cash, and how will this be credited?**
- **How do I know I have been paid? i.e. do I have timely and correct reporting?**
- **Once I have received cash, how can I use it most efficiently? Do I need additional funding? Or do I have cash to invest?**
- **How, where and when will we make our own payments?**

In reality, many of the themes we have focused on during the podcasts and in this report provide a perspective on these themes."

In addition, digitisation is enabling new business models as **Christian Mnich,** SAP explains,

"There are numerous innovations taking place in treasury that are transforming the way that treasurers operate and make decisions. But what has been particularly distinctive over the past year or two is how solutions have emerged to meet the challenge – and opportunity – of supporting new business models, as well as enabling businesses to function successfully during COVID-19. Just as we saw during the global financial crisis, treasurers have shown themselves to have a key role in steering the business through a crisis. Data, connectivity and collaboration are essential to fulfilling this role, which is where we are seeing some of the most significant innovations."

Didier Vandenhaute, PwC reflects that during this period of rapid digitisation in a challenging environment, the value of treasury has become more apparent than ever,

"During the crisis, treasury has had to stay very close to the business, reinforcing or building new connections. The value that treasurers bring to their organisations has been clearly highlighted, not least their role as protector of cash and working capital. But some difficulties remain. Cash flow forecasting has been a long-standing challenge for treasurers, but in the current environment, they now have a stronger mandate to enforce the processes, systems and business culture to ensure that all areas of the business participate in the cash flow forecasting process. With the ear of senior management, treasurers has a tremendous opportunity to expand their influence, and they should not miss that opportunity."

Jan Dirk van Beusekom, BNP Paribas shares his insights on how treasurers might harness these opportunities, and leverage emerging digital capabilities to add further value to the enterprise,

"Many treasurers are excited about the potential of digital technologies, but often ask themselves: Where do I start? Who do I speak to? Who do I partner with? Do we have the right skill sets in our team? First, analyse your existing processes and identify the weak spots or connections. Second, find an experienced and trustworthy partner with a relevant network and capabilities, whether a technology provider, treasury association, consultant or bank. Third, start small, based on the clearest opportunity, and expand from there. Remember that you need to update your processes, controls, cybersecurity and business continuity plan whenever implementing new technology."

CONCLUSIONS AND REFLECTIONS

Looking ahead to 2022

As we look ahead to 2022, we are all hoping that the vaccine rollout will lead to a gradual return to normality. COVID-19 has been a human tragedy, but has forced companies to innovate and digitise to an unprecedented degree, creating new opportunities ahead. Francois Masquelier discusses,

"Treasurers have more opportunities – and a stronger mandate – to digitise than ever before. The objective could be to make decisions faster, to reduce working capital needs or to get a clearer view of how to deliver on future strategy. Treasurers are in better position than ever to measure their performance, and therefore their value to the business, and I am expecting that this will drive a further expansion in their role and responsibilities."

During the year ahead, many of the trends we have seen, such as digitisation and the shift towards eCommerce, including business-to-business as well as business-to-consumer will continue to accelerate. Christian Mnich suggests,

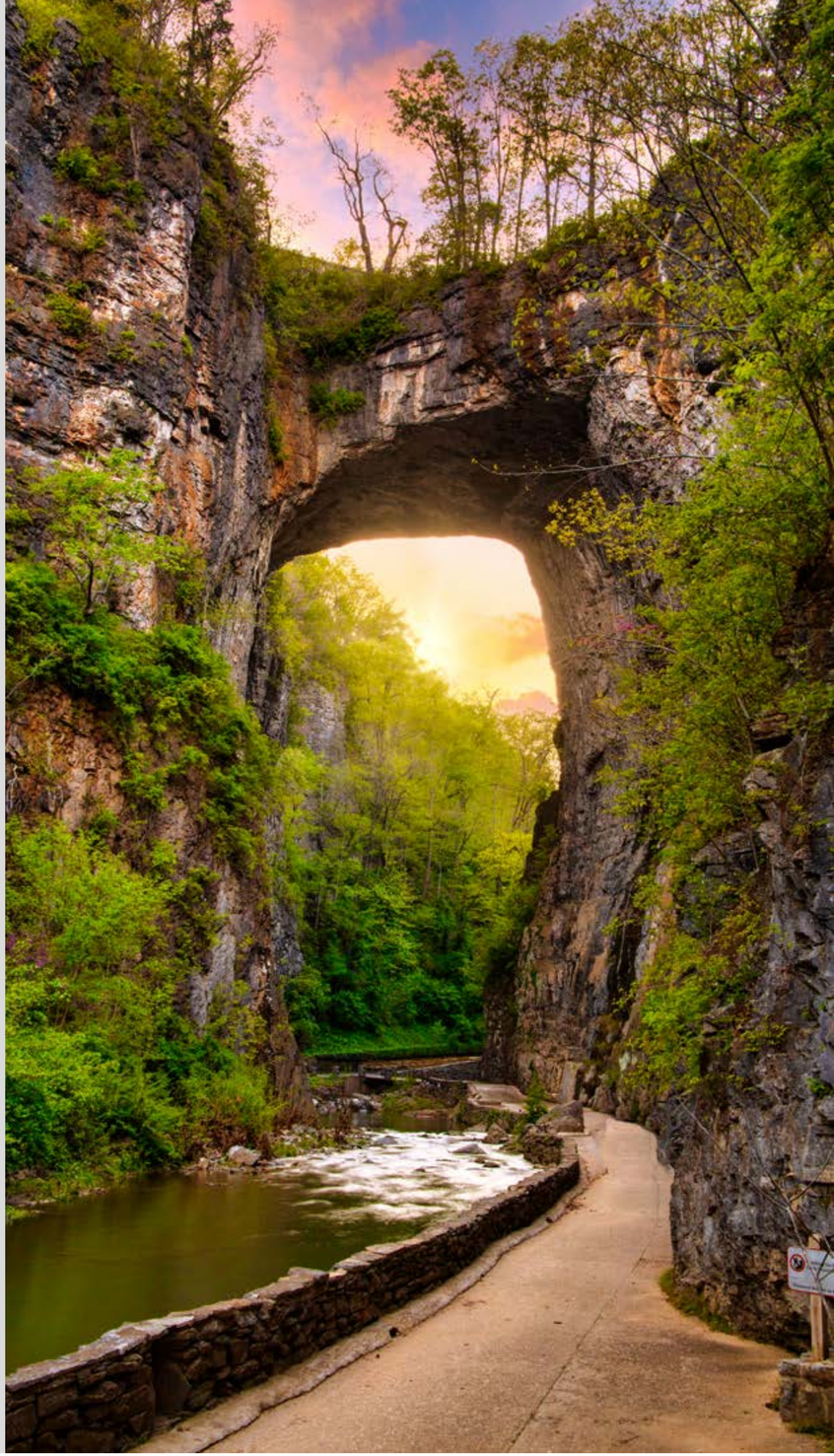
"I expect that the opportunities for digitisation and automation that treasurers have been exploring over the past year or so will now become a reality, with compelling case studies emerging. Adoption of cloud technologies will continue, and standardisation will become more important than ever to allow seamless collaboration across ecosystems.

Jan Dirk van Beusekom, BNP Paribas considers the shift in eCommerce, particularly towards B2B, which has the potential to transform the way that many supply chains function.

"Clients' digital journeys are evolving, applying the lessons of B2C to B2B, enabling new business models and supply chains. Digitisation will also continue to solve for inefficiencies in onboarding, payments, compliance, and create more compelling opportunities such as machine to machine payments and cross-border flows."

Dider Vandenhaute, PwC concludes,

"COVID-19 has been a catalyst and accelerator of treasury's digital journey with very practical outcomes. The demand for further automation, use of artificial intelligence and real-time time treasury will only continue. Secondly, we are already seeing a number of companies going through a fundamental review of their business models, not least as direct-to-consumer retail models evolve, which will impact on collections, cash flow and liquidity models. Finally, the skills and capabilities required in treasury are changing. The virtual way of working is there to stay, so treasurers need to reimagine the way that their organisation will look like tomorrow, and what skills will be required."



THANK YOU

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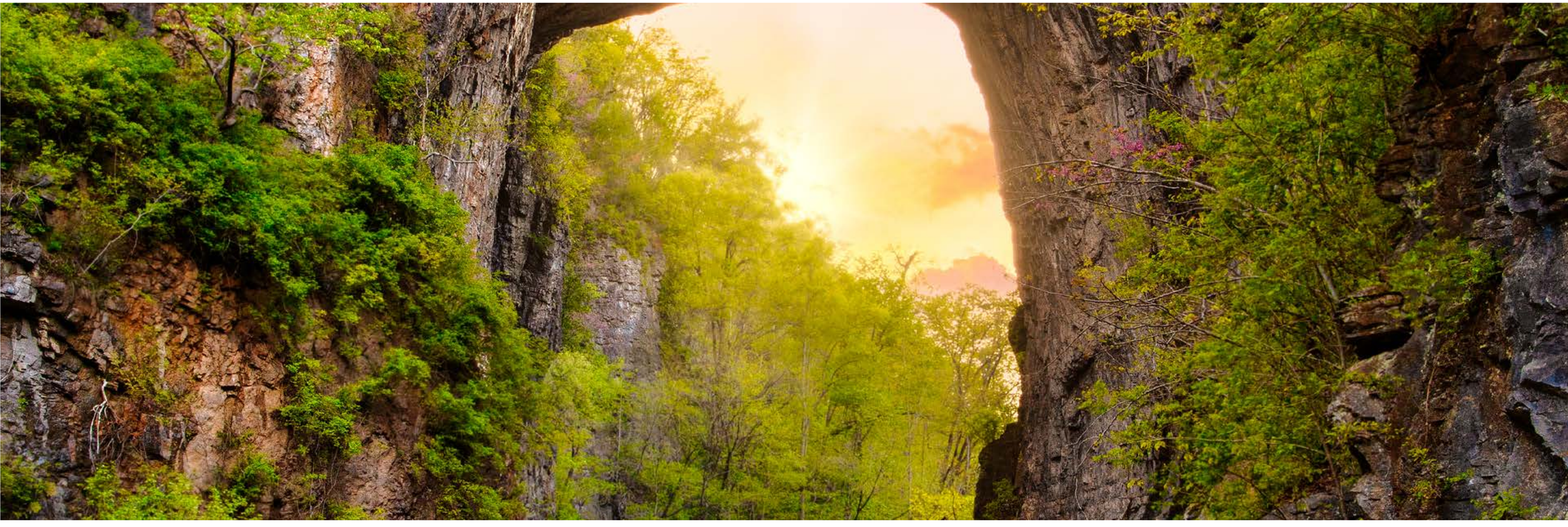

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