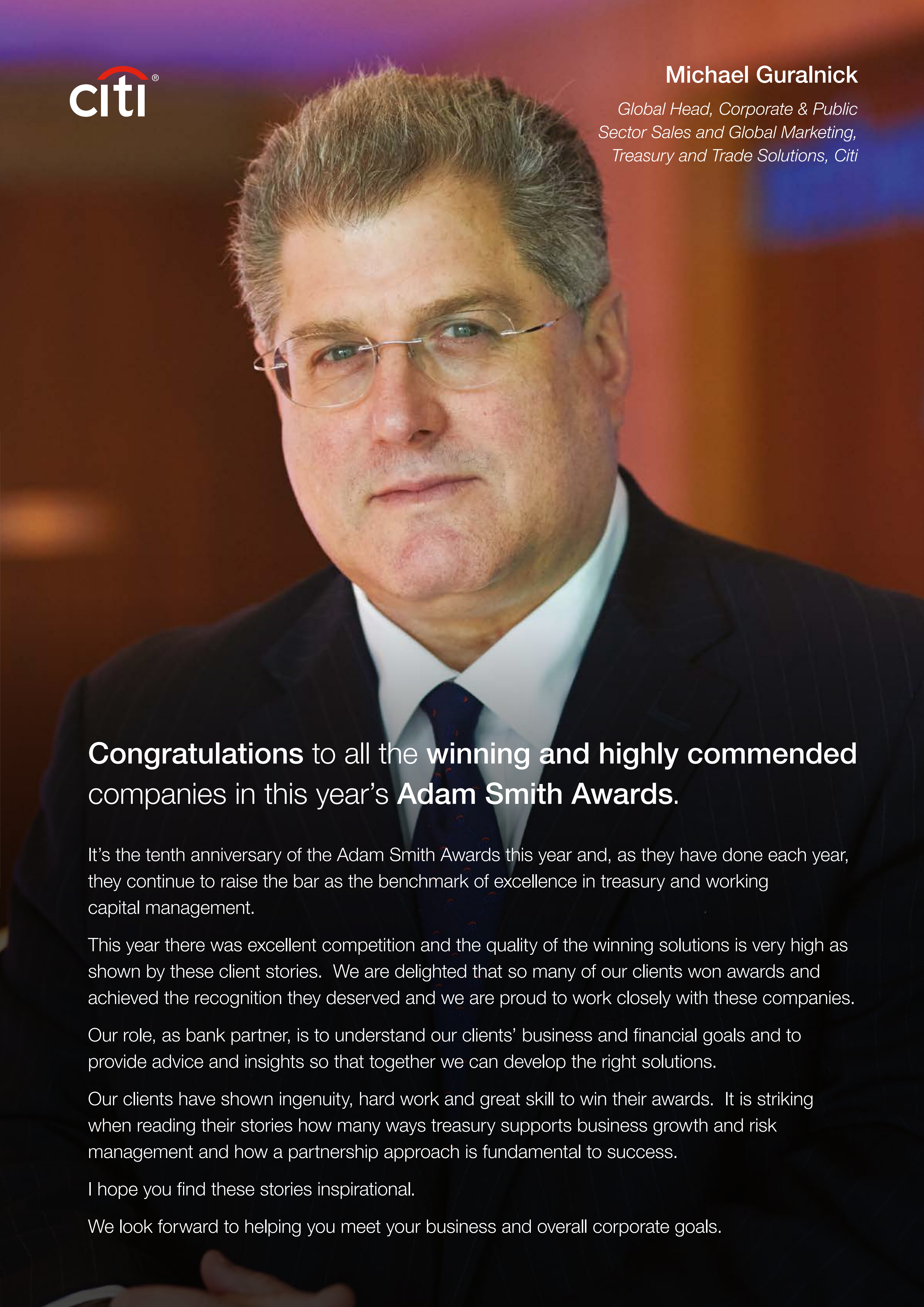
Adam Smith Awards 2017

Best Practice and Innovation

research | insight | analysis





Michael Guralnick

Global Head, Corporate & Public Sector Sales and Global Marketing, Treasury and Trade Solutions, Citi

Congratulations to all the **winning and highly commended** companies in this year's **Adam Smith Awards**.

It's the tenth anniversary of the Adam Smith Awards this year and, as they have done each year, they continue to raise the bar as the benchmark of excellence in treasury and working capital management.

This year there was excellent competition and the quality of the winning solutions is very high as shown by these client stories. We are delighted that so many of our clients won awards and achieved the recognition they deserved and we are proud to work closely with these companies.

Our role, as bank partner, is to understand our clients' business and financial goals and to provide advice and insights so that together we can develop the right solutions.

Our clients have shown ingenuity, hard work and great skill to win their awards. It is striking when reading their stories how many ways treasury supports business growth and risk management and how a partnership approach is fundamental to success.

I hope you find these stories inspirational.

We look forward to helping you meet your business and overall corporate goals.

Contents

"Winning an Adam Smith Award is an **appreciation** of the global treasury community for the work that the Toyota treasury team has invested in this **innovative project**."

TOYOTA

TOYOTA MOTOR EUROPE

"Winning this award validates the **hard work** and **dedication** our colleagues across the company have put into this initiative and we will continue to **strive** to be **best in class** in working capital management."

Pfizer

OVERALL WINNER

Treasury Today's Top Treasury Team

Herc Rentals Inc.

US and Canada

Mustally Hussain, Vice President and Treasurer

Spin-off creates unique challenge for treasury at Herc

Peter Jameson, Bank of America Merrill Lynch, John Murray, Citi, Mustally Hussain and Chet Stefanski, Herc Rentals Inc. and Phil Lamariana, J.P. Morgan

Company profile

Herc Holdings Inc. (Herc), which operates through its Herc Rentals Inc. subsidiary, is one of the leading equipment rental suppliers in North America with approximately 270 company-operated locations in the United States and Canada. With its business extending back over 50 years, Herc is a full-line equipment-rental supplier in diverse end markets, including large and small companies in the construction industry, the industrial sector (such as large industrial manufacturing plants, refineries and petrochemical operations) and other customers in more fragmented industries (governmental entities/contractors, disaster recovery and remediation firms, infrastructure, railroads, utility operators, individual homeowners, entertainment production companies, agricultural producers, special event management and facility management firms). Herc reported revenues of nearly US$1.6bn with US$3.5bn in assets and approximately 4,800 employees in its 2016 10-K.

The challenge

Herc began its new listing on NYSE in June 2016, following its separation from the vehicle rental operations of Hertz Global Holdings. The spin-off created unique challenges for the new treasury department ("Herc Treasury"). As a newly stand-alone public company, the enterprise had to quickly create an independent treasury organisation while transitioning and optimising the work streams within six months of the separation.

Treasury Today's Top Treasury Team

Herc Treasury faced the challenges of disentangling from the former parent, creating new partnerships and overhauling the banking platform to create an end-to-end liquidity management process. Herc had inherited legacy retirement benefit plans and needed to establish a stand-alone investment management platform. In addition, the new enterprise – levered with over US$2bn of first and second lien secured debt with a bank group comprising over 20 partners – faced challenges to manage balance sheet risks, ensure compliance with these complex debt arrangements and recalibrate overall banking relationships.

Mustally Hussain, Vice President and Treasurer, says, "As the treasury department for a newly stand-alone public company, we were faced with the challenge of creating new analytical infrastructure, processes and operating models. Strategically, the task was to understand the business needs from a capital and liquidity management perspective and develop a financial strategy to meet these needs."

The solution

A strategic plan was developed to define the mandate/structure and solve challenges of the new treasury department. The department structure was designed to cover a centralised treasury organisation with three domains:

- Banking and treasury operations.
- Corporate finance and strategic planning.
- Capital markets and exposure risk management.

Mr Hussain explains, "We on-boarded core and competent talents in the above domains within a short period of time. An implementation plan was put together with the help of a consulting partner with milestones tracked on a weekly basis. The combination of strategic and tactical planning enabled Herc Treasury to terminate the services under the Transition Services Agreement (TSA) with the former parent well in advance of the initial schedule, reducing significant TSA fees." As a result, Herc Treasury was one of the first departments to operate autonomously from the former parent.

> "Winning an Adam Smith Award is an excellent validation of our effort to build a great team and deliver value to the broader enterprise as a strategic business partner.
>
> Mustally Hussain, Vice President and Treasurer, Herc Rentals Inc.

Banking and treasury operations had various working parts that needed to be pieced together to create an end-to-end liquidity management process. Herc Treasury worked with banking partners not only to optimise cash applications and lockbox processing but also to redesign a new customised depository process, enabling remote capture technology to make store deposits. The team also worked with technology partners to enhance payment processing by eliminating over-funding. Despite limited historical data, a rolling 13-week cash forecast model with a target cash balance was created by partnering across the enterprise to manage day-to-day cash operations. Utilising this tool, Herc Treasury reduced the daily target balance by over 30% and optimised the cash level, realising significant annual interest expense savings.

Mr Hussain comments, "We brought in specialised treasury staff with fresh perspectives to design a banking platform to handle the demands of the cash-driven business model of Herc. These best in class practices are particularly epitomised by automating and streamlining existing work streams across daily cash positioning, user entitlement, banking administration and control monitoring."

Herc Treasury introduced new elements of corporate planning, forecasting and risk analytics. As a result, the team overhauled the investment aspects of the benefits plans and provided a more prudent risk profile that will provide benefits in both the short- and long-term by:

1. Implementing a new strategic asset allocation to optimise the risk/return trade-off and move the portfolio onto the efficient frontier.
2. Setting new investment policies for the various plans.
3. Administering the plan with appropriate committee governance.

Herc Treasury assessed the enterprise/entity level capital structure, funding needs and related balance sheet risks through a detailed review and understanding of the business. Based on various analyses, the team executed bond redemptions (10% of the outstanding secured notes) and locked in interest rate swaps with hedge accounting treatment to create value. The team also developed process and infrastructure to monitor covenants based on company events that could qualitatively or quantitatively trigger provisions in the debt agreements. The automation has significantly improved the auditability and accuracy of compliance reporting.

Eric Kim, Senior Director of Corporate Finance, comments, "We also realised that it was critical for the department to develop internal compliance processes and models to bridge the gap between the debt agreements and our accounting systems."

OVERALL WINNER

Treasury Today's Top Treasury Team

Chet Stefanski and Mustally Hussain, Herc Rentals Inc.

Best practice and innovation

In summary, Herc truly established a leading treasury department within a very short period of time. The speed with which this team mobilised itself and tackled challenges after a transformational spin-off event is remarkable. Becoming a strategic business partner at Herc was not just about increasing the scope of treasury activities but also required a focus on creating the right organisation, infrastructure, decision support tools and systems to deliver on goals. From a performance assessment perspective, Herc Treasury delivered on:

- **Structure and skills:** Herc Treasury leadership designed a centralised treasury centre with a clear structure of banking and operations, capital markets, and corporate finance, enabling subject-matter experts to deliver specialist skills to solve challenges across the enterprise.
- **Governance:** Herc Treasury laid out a clear governance structure where treasury strategy is approved and governed by decision bodies enabling transparent decision-making.
- **Policy and procedure optimisation:** Herc Treasury focused on streamlining and automating processes across payables/receivables, compliance and operations, enabling strategic decision-making while delivering multimillion-dollars in savings.
- **Data analytics and deliverables:** Herc Treasury used technology and data analytics to revamp the banking, investments and capital markets platforms with tangible deliverables to business partners.

Key benefit areas

The success or failure of a corporate treasury organisation can be evaluated by measuring excellence in execution of core functions and being a strategic business and stakeholder partner.

- Herc Treasury's role in automating and re-engineering cash operations and banking administration workflows with a new banking structure and liquidity framework optimised number of users, secured control environment and improved customer relationships with multiple headcount savings. The initiatives also helped the company to cut fees from its banking wallet, reduce interest expense via cash target optimisation and save costs from early TSA termination.
- Herc Treasury, as a sophisticated risk manager, developed a financial strategy framework, de-risked the portfolio via capital markets transactions and strategic investment allocation while introducing safe and sound compliance reporting and delivering substantial net present value in savings.
- In its role as a stakeholder manager, Herc Treasury has led strategic corporate initiatives while serving banks, rating agencies and investors.

In summary, given increasingly complex liquidity and funding requirements, Herc Treasury built a leading-class team to deliver liquidity, risk and cost management, create shareholder value and be a strong partner to the business.

HIGHLY COMMENDED WINNER

Treasury Today's Top Treasury Team

Open Text Corporation

Jonathan Burkhead, Director Global Treasury
Darlene Halliwell, Project Manager

OPENTEXT™

Jonathan Burkhead and Brian Leibforth, Open Text Corporation, Simon Jones, J.P. Morgan, Paula McCool, Citi and Lesley White, Bank of America Merrill Lynch

Treasury transformation on a grand scale

Company profile

Open Text is a global leader in Enterprise Information Management (EIM). Growing rapidly since it was founded in 1991, it has deployed approximately US$6.2bn of capital and completed 56 acquisitions. Total annual revenue has grown over the past 20 years from approximately US$10m to about US$1.8bn today.

The challenge

Open Text was approaching 400 group bank accounts with 92 banks across 35 countries covering 122 entities. On average, it had five banks per country (except in the USA where there were 16 banks) and four accounts per bank. This created a number of challenges.

On an administration front, it presented issues around bank access, opening, closing and amending accounts, people changes, signatory management, and banking services and system connections. In addition, it was facing significant KYC demands and was clearly not able to leverage banking systems to their full extent.

The time and resources available to manage the busy function were found to be lacking. Treasury was running the risk of inefficient processes, especially around payments (it was running multiple systems) and investments (where there was no liquidity pooling capability).

Treasury woes did not end here. It also had to endure a lack of visibility and transparency around key data sources, and was facing a higher risk of security breaches and potential fraud. On top of this, the structure and disparate nature of its systems were simply becoming too expensive to maintain.

"We had an unsustainable banking network and historically, most of our acquisitions were not fully integrated into the global treasury centre in Canada," said Jonathan Burkhead, Director Global Treasury. Moreover, the treasury centre lacked the resources required to manage the scale and complexity of transactions, he added. "We reached a tipping point with the acquisition of GXS; something had to change."

A benchmarking report prepared by Citi, positioning Open Text relative to its peers, indicated the extent of its problems but also highlighted key openings for improvement. Indeed, an opportunity was identified to implement an efficient and integrated banking network. This would enable the firm to consolidate its banking network to five primary relationship banks and take a similar stance in the consolidation of its bank accounts. Across this significantly simplified set-up it would be able to implement strategic and efficient cash management and liquidity structures, notably with the addition of a cash pooling facility.

The solution

Between January 2016 and April 2017, Open Text achieved a remarkable turnaround of its treasury function. In terms of its bank account activities, it managed to open resident/non-resident bank accounts in each country in scope. Across EMEA, NA and APAC, it opened 116 new strategic bank accounts and set up delivery of bank statements for all new accounts daily in current BAI or MT940 formats.

Open Text has developed H2H (host-to-host) connectivity with three strategic banks through the TMS and through Open Text Managed Services. Open Text offers treasury products and services to third party customers that the treasury team was able to utilize. The team also determined the availability of accounts on payment processing platforms in each country in scope and ensured appropriate solutions were in place for incoming/outgoing payments. The company further implemented best practices where opportunities permitted, for example opting for electronic over paper payments and collections.

Although having largely transitioned transactions from old accounts to new, Open Text says this is ongoing. Transitioning the activity is dependent upon the operating groups of AR, PR and AP as they work with vendors and customers to make system changes, for example updating remit to information on their end.

Understandably, electronic bank services have been the subject of intense focus for Open Text, with the delivery of bank statements and liquidity reports through Open Text Managed Services connectivity. In addition, processing of payroll, treasury, accounts payable, and tax payments in ISO XML format for all countries has been provisioned, although this is ongoing in some countries.

Liquidity overlay services have been radically revised, with Open Text identifying pooling structures for multi-currency and multi-entity. With three new pooling structures established, the firm has set up the domestic sweep of funds to header accounts by currency and provisioned for the cross border sweeping of funds to header accounts, as required.

In addition, the team identified impacts from intercompany pooling transactions from an FX perspective and executed appropriate loan and pooling agreements for intercompany lending and borrowing relationships.

Direct debit and SEPA direct debit payments/collections also came under the microscope. Treasury identified current users and either cancelled or set them up on new accounts. It also established appropriate blocks, filters and mandates where available and rolled out a new direct debits policy globally. In moving transactions to new accounts, it managed to significantly reduce the number of challenging direct debits by vendors that had existed for some time.

HIGHLY COMMENDED WINNER

Treasury Today's Top Treasury Team

Depending on countries and payments types in scope, the team also made a point of registering with local automated clearing houses.

Under the banner of payroll and accounts payable payment processing, Open Text identified and established connectivity types and file formats depending on the country. It was necessary to register new IDs with a local automated clearinghouse, as appropriate. This continues to be ongoing for some countries. It was also necessary to integrate payment uploads with the TMS where payments were previously manual, and rigorously test all payment files.

A multibank reporting solution has since enabled balances held with third-party banks to be fully integrated into a single reporting solution. This necessitated the identification and implementation of all relevant legal entities and accounts, and the capturing of details of all in-scope third-party banks and accounts.

In terms of tackling project and professional management services, the treasury team worked to develop a standardised documentation and approval strategy, and provide a regional coordinator to support documentation. For this to be executed effectively, a project manager was allocated to manage the banks and project plan according to a rigorous Statement of Work.

Best practice and innovation

For this broad sweep of improvements to reach a satisfactory conclusion, it is clear that sound principals of project management had to be employed. These principals had distinct objectives, scopes and timelines. The project itself was driven by a strong leader in treasury management, bearing a clear vision of process improvement and enhanced controls. Furthermore, robust senior and executive management support on the governance committee was in evidence, with active and positive participation throughout.

The reduction of manual paper-based payments is a simple example of best practice for collections and payments. More complex, but nonetheless achievable, was the implementation of best practice for liquidity management through the adoption of physical pooling rather than notional pooling. Treasury, working with tax, legal and its banking partners determined that a physical pooling set-up would be a more transparent and cleaner approach, especially with rising tensions on intercompany flows between government jurisdictions around the world. The EMEA pool uses bank accounts in London to maximise efficiency and minimise paperwork. Entities in each of Open Text's four lines of business now pool to a single header account (one for each currency) to ensure optimisation of cash.

As part of the bank account opening process (which involved intense KYC and account opening documentation), the team standardised signatures, general banking resolutions and banking-incumbency certificate templates for use worldwide.

Technology has played a key role in all of this. The project uses a third-party TMS connected to the Open Text Trading Grid, an Open Text cloud-based hosted B2B integration platform, to connect directly with the company's five major banks: Citi, J.P. Morgan, Bank of America Merrill Lynch, RBC and HSBC.

Other banks are connected to the Open Text Swift Service Bureau, giving treasury a single way to connect with banks, suppliers and customers.

"As you can imagine, there was a lot of additional analysis required to complete these activities," noted Burkhead. "And keep in mind that all of this was accomplished while executing several acquisitions, legal entity rationalisation, and preparing for the implementation of SAP on 1st July 2017."

> "Winning an Adam Smith award is the culmination of a strategy that was developed a number of years ago. Winning the award is also bringing visibility and recognition to the numerous people at Open Text who participated in our project as well as highlighting some of our own products and services that were key to our success.
>
> Jonathan Burkhead, Director
> Global Treasury

Key takeaways

- Improved visibility of global cash, liquidity, and control over cash assets.
- Enabled easier acquisition integration and aggregation of excess cash for acquisition.
- Reduced costs.
- Leveraged transactional volumes and eliminated fixed costs across fewer banks.
- Streamlined transactional processes (ERP system integration and straight through processing for balances, transactions, and payments).
- Implemented best practices utilising electronic payments vs paper.
- Achieved higher returns on excess cash (leveraging liquidity pools for short-term investment purposes).
- Reduced administration effort.
- Significantly reduced documentation requirements, signatory mandates, KYC needs and bank access for users.
- Improved controls environment (reduced bank accounts, segregated cash flow for payroll).
- Reduced counterparty credit risk.

HIGHLY COMMENDED WINNER

Best Liquidity Management Solution

Toyota Motor Europe NV/SA

Brussels, Belgium

Stan Blykers, Senior Treasury Specialist

TOYOTA

TOYOTA MOTOR EUROPE

Stan Blykers and Koji Minami, Toyota Motor Europe and Yuki Ohashi, Citi

Liquidity solution to ruble challenge for Toyota in Russia

Company profile

Toyota is one of the world's largest automobile manufacturers and a leading global corporation. Founded in 1937, Toyota now sells vehicles in 170 countries and employs over 300,000 people. Based in Brussels, Belgium and staffed by 2,700 people and more than 60 nationalities, Toyota Motor Europe (TME) handles the wholesale marketing of Toyota and Lexus vehicles, parts and accessories, and manages Toyota's European R&D, manufacturing and engineering operations.

The challenge

The major challenge in the region for Toyota Motor Europe (TME) has been the RUB flows and Toyota Motor Russia (TMR) was using several banks in Russia. Due to the peculiarities of the domestic clearing system, the lack of multi-bank solutions in the domestic market and the geographic disposition of the country, expanding in 11 time zones, it has been almost impossible for large overseas treasuries to manage their domestic flows efficiently. Over three billion of operational balances, in local currency, remained fragmented, creating significant cost, working capital and operational inefficiencies. TME acknowledged the problem and despite efforts to reach a solution over the past few years, the cross border flows remained challenging.

They set out the following objectives to:

- Extend the transactional window and gain at least one additional day of value on their FX swap transactions.
- Reduce the fragmented positions across the different legal entities.
- Eliminate idle balances.
- Improve the repatriation process to Japan through effective cross-border flow management.
- Reduce the cost on the intercompany loans.
- Improve the cash flow forecast.
- Manage more effectively counterparty and country risk.

The solution

TME, TMR and their bank worked to structure a multi-layer solution that enables the clearing of all daily operational transactions in Russia, the funding of the local accounts and the automated integration into a London liquidity overlay account, enabling TME to utilise the funds with good value and eliminate idle cash that was held in fragmented positions across multiple domestic accounts.

The solution combines a full payments and collections platform for the RUB transactions, a fully automated domestic physical pool to consolidate all positions in a single hub, a true end-of-day automated sweep for the excess operational cash and an offshore interest bearing RUB account to centralise the net position of all daily activity. An additional FX swap is performed from the offshore account without the need to add additional account layers.

Best practice and innovation

The solution achieves optimal results by fully eliminating idle and fragmented positions and transferring the excess liquidity of different legal entities and accounts into an offshore domiciled IHB account. This arrangement maximises the liquidity and delivers working capital efficiencies without the need of manual intervention, thus generating operational efficiencies too.

Toyota is one of very few companies to start managing their cross border flows in a more holistic manner. The cross border element along with the integrated domestic collections and centralised FX activity is a creative way to eliminate any manual element through the process. An additional element that makes this solution even more innovative is the scalability and the option to fund the Tokyo EUR Account on a same day basis without any loss of value.

Stan Blykers, Senior Treasury Specialist explains, "A key differentiator for us is that this solution is fully scalable and can support the international and domestic growth of the company in a much more effective manner."

Key benefits

- Elimination of substantial pockets of liquidity held in Russia.
- Working capital optimised.
- Further enhancement of working capital cycle by the additional value of two days for the billions of the RUB/EUR FX swap.
- Incremental interest earnings from the consolidating position in a high-yielding currency.
- FX and risk management process optimised.

OVERALL WINNER

Best Working Capital Management Solution

Pfizer Inc.

New York, US

Working Capital Team

Roger Fleischmann, J.P. Morgan, Beth Blumenfeld, Arijit Dasgupta and Sylvia Malone, Pfizer, Steven Elms, Citi, Chris Jameson, Bank of America Merrill Lynch, Simon Knightbridge, Pfizer and Steve Payne, EY

Improved cash conversion cycle feeds straight through to bottom line

Company profile

Pfizer Inc. is a research-based global biopharmaceutical company. The company is engaged in the discovery, development and manufacture of healthcare products. Its global portfolio includes medicines and vaccines, as well as consumer healthcare products. As of 31st December 2016, the company sold its products in over 125 countries.

The challenge

To identify opportunities to improve the cash conversion cycle (CCC) and cash flow generation without adversely impacting the income statement. With an increasingly challenging operating environment, Pfizer saw an opportunity to increase its focus on working capital management (WCM) and to improve cash flow generation in parallel with a continued focus on P&L.

In an effort to determine a baseline, Pfizer conducted a benchmarking analysis on working capital metrics across the biopharmaceutical space, which compared Pfizer against several of its large-cap peers. A team, sponsored by its CFO and led by corporate treasury, was mobilised.

The solution

Pfizer established five workstreams to focus on the key areas within WCM. Each of the workstreams brainstormed actions and solutions for their respective areas, prioritising those initiatives with a focus on maximising improvement to the CCC and/or improving cash flow generation (noting that the VAT and other working capital workstreams do not directly impact the CCC calculation).

- **Accounts receivable:** Pfizer moved from fourth quartile versus its peers to first quartile between 2010 and 2016 in an adverse mix environment. This substantial improvement is directly attributable to operational improvements on collections and terms. Pfizer implemented best in class collections practices across the world, including Europe where pharmaceutical companies have faced challenges due to the financial crisis. The team proactively partnered with governments and hospitals in order to ensure past due, receivables were collected from these markets.
- **Accounts payable:** improvements to their DPO were made possible due to:
  - Improvement of supplier payment terms.
  - Shift of payment trigger from invoice date to receipt date.
  - Reduction in payment-run frequencies.
  - Availability of operating data and metrics due to rollout of a global SAP.
  - Implementation of a treasury-led supply chain financing programme, which benefits both Pfizer and its suppliers.
- **Inventory:** Pfizer Global Supply (PGS) established and continues inventory optimisation initiatives across the supply chain, making improvements to its gross inventory balance. The focus ranges from procured raw materials at manufacturing facilities all the way through to finished goods. In addition, PGS implemented organisation and process change enabling end-to-end supply chain orchestration for all of Pfizer's major brands. All of Pfizer's supply chain processes are built upon its growing SAP footprint and are "aimed at ensuring the right product, in the right place, at the right time and at the right cost for the patient," explains Keenan.
- **Value-added tax and other working capital:** Pfizer has been optimising other areas of the balance sheet including indirect taxes/VAT, prepaids, non-trade receivables, rebates and accruals. Initiatives implemented by the company that resulted in the improvement include, but are not limited to, recovery of VAT receivables from international markets, reduction of prepaids globally and improved collections of non-trade receivables and rebates.

Best practice and innovation

The project management team compiles and distributes a monthly dashboard to finance leadership which monitors various working capital key performance indicators (KPIs) to ensure they are improving.

Pfizer's inventory workstream uses several systems including the Global Market Exchange (GMX) system to analyse SKU-based inventory pricing, SAP Business Insights to review brand specific demand and supply analytics and Tableau for data visualisation on their supply chain performance. Any key business decisions that could have implications on working capital are considered before being finalised.

Key benefits

- Improved the CCC by 25.2 days to 77.1 days from 102.2 days (from 2010 to 2016).
- Generated approximately US$1.5bn of incremental cash flow in 2016.
- P&L benefits.

OVERALL WINNER

First Class Relationship Management

Shell Treasury Centre Ltd

London, UK

Darsh Johal, Head of Global Cash Management
Stuart Madell, Cash Manager
Roland Peppink, Senior Project Manager

Barbara Harrison, Citi, Darsh Johal, Roland Peppink and Stuart Madell, Shell Treasury Centre Ltd

How would you respond if your bank informed you they are exiting the business?

Company profile

Royal Dutch Shell plc is an Anglo-Dutch multinational oil and gas company headquartered in the Netherlands and incorporated in the United Kingdom. It is one of the world's leading oil and gas companies and among the largest companies in any sector globally. It operates in over 70 countries worldwide, has approximately 92,000 employees and produces 3.7m barrels of oil equivalent every day.

The challenge

Royal Bank of Scotland (RBS) was Shell's primary cash management bank for Western Europe and its main currency bank for CHF, EUR and GBP.

In early 2015, Shell initiated a request for proposal (RFP) process for its cash management business in Western Europe. It was about to hear pitches from eight shortlisted banks at the request for information (RFI) stage when RBS announced plans to wind down its international cash management business. RBS's deadline to close customers' accounts and operations across the region was the end of 2016.

Shell needed a bank to help it manage a smooth transition of a large range of mature operational processes – across its business, treasury and IT landscape – in a short space of time.

As Darsh Johal, Head of Global Cash Management explains, "We decided on a like-for-like replacement; our selection criteria was speed of delivery, reach and capability, a clear legal framework, robust and reliable operations and service model, and the ability to migrate existing payments in Germany to a SEPA card clearing solution."

The solution

The number one priority for the project team was to manage the transition on time and maintain the high level of operational and process performance to minimise any business impact. The scale of the project combined with the extremely tight deadline, encompassed numerous challenges:

- The mandate covered 16 countries.

Johal recalls, "A total of 350 bank accounts were opened, necessitating over 200 KYC documents."

- Cash management services for 250 Shell businesses in Western Europe also had to migrate from RBS within just 18 months.
- The project covered a wide range of payment and collection instruments given its geographical scope and Shell's client base.
- Each payment and collection instrument had to be assessed to understand the implications of migration.
- The countries in scope used 14 different ERP systems, each requiring specific re-configuration, testing and deployment plans. There were in excess of 2,400 test scenarios.
- The solution also includes a regional zero-balancing liquidity structure for the major currencies – EUR, GBP and CHF – with over 300 sweeps activated.
- Shell had 37 payroll payment solutions throughout the region. It was critical that payment runs were closely monitored during migration to ensure all staff continued to be paid on time.
- Migration of Shell's SEPA card clearing solution in Germany which supports millions of transactions annually.
- Over 100,000 direct debit customers were migrated by Shell's downstream business, having millions of transactions with a multi-billion dollar value.

Best practice and innovation

This project centres on the first class relationship between Shell and its bank which is emphasised by the manner in which the project was planned, resourced and executed. Many aspects are now part of Citi's best practice template for client implementations.

There were over 350 staff at Shell and 68 project team members in Citi involved in the project.

Shell's Tim Ford, VP Offer to Cash, comments, "This is a great example of collaboration within Shell and with Citi. It's great to see a major project deliver on time whilst maintaining a focus on operational excellence."

Key benefits

- The greatest benefit is that the project was completed according to plan and with minimal disruption to the business.
- The solution met all the project objectives – all bank accounts, payments and collections for every business were migrated according to the original schedule – and within budget.
- All 29 phases successfully achieved each of Shell's scheduled go-live dates.

HIGHLY COMMENDED WINNER

Best Trade/Supply Chain Finance Solution

Kuehne + Nagel

Schindellegi, Switzerland

Roger Sutter, Group Treasurer

KUEHNE+NAGEL

Melanie Girouard, Citi and Benedikt Zimmermann-Kuehne, Kuehne + Nagel

E-invoicing platform offers early payment option

Company profile

Since 1890, when the business was founded in Bremen, Germany by August Kuehne and Friedrich Nagel, Kuehne + Nagel has grown into one of the world's leading logistics providers. Today, the Kuehne + Nagel Group has some 1,300 offices in more than 100 countries, with over 70,000 employees.

The challenge

Kuehne + Nagel (KN) wanted to provide its suppliers with an early payment solution without having suppliers or KN to connect to different platforms. The existing e-invoicing platform was extended with an early payment option with the following objectives:

- One platform for invoicing and receivable purchase activities.
- Efficient on-boarding.
- Possibility for payment within a few days.
- Full invoice status transparency to suppliers.
- Possibility for full ERP integration on KN and supplier side.
- Multi-bank possibility for financing of receivable purchase activities.
- Attractive financing rates.
- Global solution.

The solution

KN is moving from paper to electronic invoices and handles purchase orders with auto-matching functionality in the ERP, allowing fast and efficient invoice handling and approval processes.

Roger Sutter, Group Treasurer explains, "Together with our e-invoicing partner, Tradeshift, and our key relationship bank, Citi, we developed a fully integrated, one channel, seamless straight through invoice-to-cash platform. It is complemented with an accelerated supplier payment feature in the form of a receivable purchase option."

This solution allows a supplier to raise an invoice electronically online and to receive payment as early as within three days when participating in the receivables purchase programme. Suppliers can monitor the status of the invoice and on the same website interface all necessary details related to the early payment (eg payment date, discount fee, etc) into the supplier's ERP. Roger Sutter says, "We created for our suppliers an integrated website for all invoicing and receivable purchase activities and have this now live in our key markets in Europe and North America – a total of 14 countries."

Best practice and innovation

This innovative platform for invoice-to-cash cycle (including ERP connectivity) integrates KN's e-invoicing and banking providers on a single platform. Each party ensured that best practices in their area of expertise is being followed, creating this unique solution. This innovation links an e-invoicing platform to a key financial partner to deliver a seamless technically integrated omni-global connectivity channel for suppliers.

Harnessing new technology and capitalising on the global footprint of KN, both the banking and the e-invoicing partner have significantly improved the invoice-to-cash cycle for KN's suppliers and ensure fast invoice payment for those suppliers who participate in the receivables purchase programme.

An intuitive on-boarding website facilitates the receivable purchase solution, including chat functionality with the bank and access to marketing and on-boarding documentation.

This innovative solution allowed KN to negotiate attractive financing rates for the benefit of its suppliers.

Roger Sutter concludes, "In collaboration with our key partners we significantly improve our suppliers' cash cycle, allow efficient invoice-to-cash processing through one platform and create working capital benefits for all participants."

Key benefits

- Single platform with full technical integration.
- Significant efficiency gains.
- Significant working capital improvement.
- 250+ suppliers now on board.
- Global availability of the solution.

OVERALL WINNER

Best Card Solution

Celgene

Boudry, Switzerland

Anna Bianchi, Associate Manager, T&E

David Reidy, Basware, Anna Bianchi, Celgene and Ritesh Jain, Citi

Physical card is obsolete with this solution

Company profile

Celgene is a leading pharmaceuticals company that operates in more than 34 countries worldwide.

The challenge

Supplier payments was an area that was ripe for innovation – Celgene's suppliers were increasingly requesting early or upfront payments. In order to meet these requests, Celgene was required to process payments immediately, thereby directly impacting its working capital position. The team at Celgene laid down the following objectives:

- **Working capital optimisation:** while early payment to suppliers was a business need, Celgene wanted a solution that would preserve or improve its working capital position. Early payments and working capital optimisation may seem like a dichotomy – but the team challenged themselves to achieve both these objectives simultaneously.
- **Simple enrolment and management:** the team at Celgene wanted to ensure that the early payment programme remained simple for suppliers to enrol without any complex legal documentation or technical integration. Similarly, it must also be simple for Celgene to manage.
- **Frictionless experience:** the payment processes at Celgene had been refined over many years. There was no room to introduce any inefficiency in the payment process. Therefore, it was essential that the new payment programme should be frictionless – from order-to-reconciliation – to allow for efficient and early payment to suppliers.
- **Cost:** it was paramount that the new payment programme should not increase costs for Celgene. Therefore, the early payment programme should not be expensive to build or run.

The solution

An overview of how the solution works:

1. Suppliers send electronic invoices through the Basware Network which becomes available to Celgene in real-time.
2. Celgene applies business rules to approve/reject invoices and allocate them to appropriate expense lines within Basware.
3. For every approved invoice, Basware sends a request to Citi to create a virtual card via an API.
4. Citi validates the request and creates a virtual card for that Invoice in real-time. This virtual card is a single-use card account with highly specific controls. Virtual Card details are sent back to Basware via an API message, again in real-time.
5. The card is automatically charged on behalf of suppliers in real-time, providing instantaneous confirmation. Suppliers receive funds directly in their bank accounts within two to three days without any further action from their side, along with rich remittance data.
6. A fully reconciled transaction file is generated and sent to Celgene's ERP system to post accounting entries.
7. Celgene makes a single monthly payment to Citi to clear card outstanding.

Best practice and innovation

- Use of application programming interfaces (APIs).
- Payments no longer confined to ERP – this solution breaks that convention by plugging the payment channel into an e-invoicing platform. Fundamentally, this can have a profound impact for the entire industry as people start realising the benefit of initiating the payment where it creates best value and not necessarily through their ERP systems.
- Security and simplicity.

Key benefits

To Celgene:

- DPO improved.
- Working capital enhanced.
- Zero-cost solution.
- Process efficiencies.
- Visibility.
- Security and control.

To Celgene's suppliers:

- DSO improved.
- Compliance cost benefits.
- No POS terminals needed.
- Rich remittance data provided.
- Real-time visibility.

HIGHLY COMMENDED WINNER

Best Card Solution

DuPont Sourcing & Logistics

Delaware, US

Kelly Moyer, Improvement Leader

DUPONT

Elsa Belperche, Citi, Jean-Paul Vanherf and Josette Vandenhouten, DuPont Sourcing & Logistics

Global best practice with this card solution

Company profile

DuPont is a science company dedicated to solving challenging global problems, while creating measurable and meaningful value for its customers, employees and shareholders. Our dynamic portfolio of products, materials and services meets the ever-changing market needs of diverse industries in more than 90 countries.

The challenge

DuPont had limited oversight of its total global card spend because it used 16 different card providers. Although DuPont met with all of its' providers on a regular basis, understanding and managing programme aspects like spend trends, multiple contractual relationships and inconsistent policies was very challenging. Furthermore, by not having its spend consolidated, DuPont was not able to realise its' maximum rebate potential. These inefficiencies created an opportunity for improvement. The firm's existing card providers had less than desired levels of card acceptance in some markets. As a result – and also due to poor expenses policy compliance – the company had a high level of out-of-pocket spend. Its use of multiple card programmes and expenses methodologies made administration time consuming, cumbersome and inefficient.

Moreover, as a result of using multiple card programmes, DuPont was making credit card payments throughout the month, affecting working capital efficiency.

The solution

Following an RFP process, DuPont appointed Citi as its sole global card provider, providing corporate and purchase cards programmes across more than 50 countries based on a single global contract with standardised terms and liability model.

Adopting a One Card Corporate Bill/Corporate Pay Model while new to many DuPont legal entities was not new in it's entirety and thus created another opportunity to standardise globally.

At the same time, DuPont created a centralised Programme Administration team based at a shared service centre to reduce and even potentially eliminate the work needed to be done by local PAs.

Other elements of the solution include the use of local currency cards wherever possible, issuance of cards with widespread merchant acceptance, standardised and rationalised file feeds, and standardised card programme management and reporting.

Best practice and innovation

DuPont has shown great determination in migrating 16 different card providers, a variety of billing and liability models to a single programme. Add to it a unified travel and expenses policy and consistent global standards and it becomes clear that the company is focused on achieving global best practice.

Best practice and innovation are also demonstrated in the various steps DuPont has taken in order to realise its ambitious objectives to replace cards for 26,000 employees working at 250 legal entities in 50 countries. These steps include:

- The establishment of a strong partnership and a clear dialogue between the DuPont and Citi project managers and regional leads during implementation.
- A DuPont pioneer pilot phase with an eight-week rollout, including card issuance and file feeds, covering 23 entities in 13 countries. DuPont Pioneer was selected as one of the few DuPont entities that already used a centrally-billed and paid model: it was therefore a more useful test of the technical aspects of the implementation project.
- Implementation of DuPont's businesses worldwide executed on a regional and expense reporting system-basis; the entire project took approximately one year from mandating to completion.
- Winning the buy-in of the organisation worldwide. From the beginning of the project, DuPont secured support from the highest management levels, involving the marketing and communications departments, in order to build momentum and acceptance of the changes.

Key benefits

- Gains features and benefits of purchasing, corporate and other cards in one programme.
- Global view of its card programme with rich reporting capabilities.
- Cardholder support and convenience have been greatly enhanced.
- Standardised worldwide card solution creates optimisation opportunity through policy adjustments.
- Risk reduction while improving policy compliance and working capital efficiency.
- Central back office team frees up local teams and administrators to focus on value-added tasks.
- Standardised statement and pay dates gives further working capital savings.

HIGHLY COMMENDED WINNER

Best Foreign Exchange Solution

Diageo

Budapest, Hungary

Diageo Group Treasury

DIAGEO

Benjamin Gilbert, Citi collects the award on behalf of Diageo

FX risks addressed using rules-based benchmarks

Company profile

Diageo is a global leader in beverage alcohol with an outstanding collection of brands that includes Johnnie Walker, Smirnoff, Baileys and Guinness. Its brands are produced from more than 140 sites around the world and are available in over 180 countries.

The challenge

Diageo's FX risk management policy focuses on three main sources of FX risk: transactional (forecasted cash flows), balance sheet translation and earnings translation. Diageo is continually focussed on maintaining a FX risk management policy that meets its risk management/corporate objectives, maximises cost efficiency and is exemplary of current best practice.

The solution

In 2014, the group commenced the first stage of a comprehensive review of its FX risk management practice with its banking partner. This culminated in a revised policy being approved in Q215. It resulted in a rules-based approach to hedging that reconfirmed and improved the requirement to regularly monitor and analyse risk and identifies key exposures to hedge.

Risk is viewed from a portfolio perspective in a Value at Risk (VaR) based framework and relies on the monthly generation of portfolio risk analysis for transaction and balance sheet FX. The analysis measures the advantage of managing the exposures as a portfolio rather than on a standalone basis and identifies a number of themes. These include:

- The exposures that create the most significant contribution to risk.
- The most cost-effective exposures to hedge.
- Those exposures that reduce risk and should not be hedged.
- Opportunities for cost savings through natural risk reduction (diversification).

The review also identified additional offsetting exposures that could be netted against each other and the group functional currency.

The effect of the new policy is to allow Diageo to reduce the number of hedges it executes, lowering the cost of hedging, transactions and internal administration. It has also improved risk reduction per GBP spent on hedging.

The second stage to this project is the ongoing Review & Multi-Asset Risk Management. Since 2016, the group has worked with its banking partner on a feasibility study examining the quantitative and qualitative benefits of Diageo managing both its FX risk and commodities risk as one portfolio. This study has shown that further risk reduction and cost savings are possible. This is now in a benchmarking phase where actual executed hedging results are compared to a modelled best practice benchmark strategy.

Best practice and innovation

Diageo's continued process of review and evolution of policy demonstrates best practice and innovation. Additionally, Diageo's sophisticated approach to portfolio risk management aims to be best in class. Highlights from Diageo's new policy defines a consistent quantitative framework in which risk can be measured and communicated to senior management. Overall risk limits, for a given source of risk, can be set as well as limits for individual exposures.

The review of Diageo's risk management practice did not cease with the approval of the new policy in 2015. As part of that new policy, Diageo assesses the effectiveness of its incumbent policy on an ongoing basis. This continual assessment incorporates a forward and backward looking review using both quantitative and qualitative measures.

Diageo also measures itself against the best practices of its peers as these change over time. Data and insight provided by its partners, and their collaboration with a diverse group of the world's largest companies, enables this to happen.

Key benefits

- Reduced the number and size of exposures hedged.
- Reduced costs for hedging, transactions, and administration.
- Rules-based hedging policy ensures all stakeholders understand hedging decisions in advance.
- More effective risk management enables:
  - Greater predictability of costs and revenues.
  - Stronger focus on core business.
  - Better management of investor expectations.

OVERALL WINNER

Harnessing the Power of Technology

Goshawk Aviation Limited

Dublin, Ireland

Trish Smith, Operations

Trish Smith, Kelli-Ann Sweeney, Edel Brennan, Miriam Brosnan and Elaine Ward-Bopp, Goshawk Aviation Limited and David Nugent, Citi

Rapid expansion drives full suite of technology solutions at Goshawk

Company profile

Headquartered in Dublin, Goshawk Aviation Limited (Goshawk) was established in November 2013 as an aircraft leasing platform focused on building an asset portfolio of young, new technology aircraft with a large and diversified asset-type and operator base. The company is owned by Chow Tai Fook Enterprises Limited and NWS Holdings Limited and currently has a committed portfolio of 112 aircraft worth approximately US$5.7bn.

The challenge

Goshawk was established by Investec Aviation Finance so the company relied on Investec's infrastructure (systems, teams, processes) for the management of its portfolio initially. In the last quarter of 2015, Goshawk began to engage in building its own platform to support its growth into a global top-tier aircraft leasing business, and the challenge was to create a platform that supported treasury, accounting, banking and contract management activities. The primary focus was on creating a solution that was flexible and scalable.

Challenges arose from:

- The scope of the project – sourcing and implementing four systems, ensuring that they all delivered on time and interfaced – brought challenges.
- A timeline that all system vendors had flagged as very ambitious.
- Limited resources – a small project team led the operations project.
- Transitioning the information and support activities from Investec to Goshawk required significant due diligence, planning and coordination.
- Ongoing business-as-usual, with the demands of a business in growth mode in terms of additional aircraft and variety of financing sources.
- The volume and timing of account openings for 110 entities and over 250 accounts (KYC and documentation requirements, across a range of jurisdictions).
- The importance of ensuring the company continued to deliver a first-class service to their clients and to meet all their obligations under all of their financings.

The solution

The technical solution comprises two complementary host-to-host connections using SWIFT MT940 and XML camt.053 formats. They now have real-time visibility to their accounts and on-boarded the payroll processing from a local bank to Citi using a dedicated host-to-host connection to ensure confidentiality and bulk debit processing to mask transactions on the account statement.

They implemented an interface between Bloomberg and IT2 and receive daily rates into their TMS, which are used to reset their loans and interest rate swaps and feed into their projected interest rate curve.

The interface between Leasepoint, the lease management system, and SunSystems, facilitates a full file import directly into Sun, without the need for any manual intervention.

Like the majority of aircraft leasing companies Goshawk is a predominantly USD-based company, however they do have cross-currency requirements. It had not been desirable to maintain multiple local currency accounts for a small volume of transactions so they are now leveraging Citi's cross-currency solution which allows them to process non-USD transactions via CitiDirect from their TMS via the host-to-host connection.

Best practice and innovation

They selected, developed, tested, populated, validated and implemented an entirely new IT platform and integrated system infrastructure in less than 12 months. Goshawk was also growing its portfolio (by 60 aircraft over the last two years), and are now operating at a level where incoming and outgoing cash flows total more than US$45m per month.

Goshawk was also busy raising finance. In 2H16 alone, they closed a US$345m unsecured revolving credit facility, debuted in the capital markets with a US$231m US Private Placement and completed an unsecured US$95m Schuldschein issuance; Goshawk is the first aircraft leasing company and the first Irish company to access the Schuldschein market.

Trish Smith, Operations comments, "Not only did we implement a set of systems that could service our existing business needs, we were also adapting our systems simultaneously to our ever-changing requirements as our underlying business evolved."

OVERALL WINNER

Best in Class Treasury Solution in the Middle East

Etihad Aviation Group

Abu Dhabi, UAE

Adam Boukadida, Acting Group Treasurer

Roger Fleischmann, J.P. Morgan, Adam Boukadida, Etihad Aviation Group and Michael Guralnick, Citi

Etihad excel in 2016 driven by change and innovation

Company profile

The Etihad Aviation Group comprises Etihad Airways, the Hala Group of travel and tourism management and loyalty companies as well as Etihad Airport Services and group support functions required to interface with and support its subsidiaries, joint venture companies and equity partners. Etihad Aviation Group is headquartered in Khalifa City, Abu Dhabi and is Government-owned.

The challenge

Etihad's group treasury activities are not solely focused on the airline; it also acts in support of the broader Etihad Aviation Group. This creates multiple sourcing and management needs that must be aligned with investment and operational business requirements. Further, Group Treasury supports various equity partner airlines with a wide range of services, including bank relationship management, agency execution, systems support, in-house banking and structuring of direct capital support facilities. One deal in particular required rapid thinking to secure delivery of essential aircraft to the fleet.

The solution

Etihad group treasury has displayed a hyperactive approach to funding over the past year, especially around diversification of sources. Highlights of the financing activities include the following.

Raising US$1.5bn through a rated, senior unsecured and unlisted Sukuk Al-Wakala, this debut transaction marks the largest non-Sovereign Sukuk from the GCC since 2007. It is also the largest Sukuk ever out of Abu Dhabi. Through this transaction, Etihad has created an innovative solution, setting a new precedent for other similar issuers to access the capital markets.

A Murabaha private placement programme for a five-year, US$145m structure was the first Islamic private placement by Etihad, sourcing funds from GCC investors who otherwise may not have been able to lend into the airline.

Further funding diversification was achieved via a Schuldschein private placement programme. This was the first ever issuance for Etihad in that market and the first corporate issuance in the Schuldschein market from a Middle Eastern borrower. The transaction itself was marketed at a term-sheet volume of €150m equivalent with three, five and seven-year tranches in euro and US dollars. However, due to the high demand, the final volume was increased to €214m equivalent. An unsecured five-year US$425m Syndicated Loan Facility with a group of five local, regional and international banks was also used for refinancing.

However, group treasury surpassed itself in the wake of one of the biggest aircraft finance stories of 2016 – the unprecedented hold placed on all guarantees and export credit support of Airbus products by UK Export Finance, COFACE (the French ECA) and Euler Hermes (the German ECA), as a result of 'disclosure issues' investigated by the UK Serious Fraud Office. In response to the consequent suspension of its long-term ECA-backed aircraft financing arrangements, Etihad's treasury team led the design of a short term, cost effective bridging solution alongside ADCB who in turn collaborated with MUFG to deliver funding to Etihad.

Best practice and innovation

The bridging deal was one of the first such solutions in the market to address the ECA funding problem and was later replicated by multiple parties. The solution offered financing for Etihad's capital import using a mix of conventional trade finance solutions – a move rarely seen in the marketplace until this transaction. The transaction was a short-term arrangement, with MUFG settling Etihad's payables on the back of a supporting undertaking by ADCB to pay MUFG on the due date.

This unique structure, combined with rapid execution, gave Etihad a solution that was both cost efficient and timely, enabling the airline to meet its payment obligations to Airbus whilst facilitating a necessary interval for the arrangement of alternative long-term finance facilities.

This demonstrates an innovative, optimised and yet simple solution, set up to address the Group's bridge financing requirement on A380 aircraft affected by the suspension of European ECA support for Airbus deliveries.

Key benefits

- Diversity of funding portfolio.
- Willingness to be first in the market.
- Creative approach to external issues.
- Demonstration of true partnership with third parties.

HIGHLY COMMENDED WINNER

Best in Class Treasury Solution in the Middle East

Emirates Airlines

Dubai, UAE

Umar Pirzada, Manager Treasury – Banking, Systems & Procedures PMO – Corporate Treasury

Graham Pepe, Emirates Airlines and John Murray, Citi

SWIFT MyStandards is a key part of the solution for Emirates Airlines

Company profile

Emirates is a global connector of people and places and an enabler for trade and tourism. With a fleet of 258 fuel efficient aircraft, the multi-award winning carrier flies to more than 150 destinations across six continents. Emirates is the industry's largest operator of Boeing 777s with more than 160 in the fleet. The airline is also the world's largest operator of the Airbus A380 with 95 currently in its fleet. A total of 216 aircraft, worth US$108bn, are on the order books.

The challenge

As a multinational corporate dealing with multiple financial institutions, Emirates needed to first understand the Message Implementation Guidelines (MIGs) of all the banks they wanted to work with. The guidelines are typically documented in different ways across a variety of incompatible documentation formats. It is often difficult to clarify the needs and understand what you have to update if you want to start working with an additional bank. On-boarding a new destination required a lot of time to integrate payment systems with the respective banks. Emirate's application development team were required to be dependent on banks during file format testing and it took a lot of time to get clarity on any new regulatory changes which needed to be complied with.

Umar Pirzada, Manager Treasury – Banking, Systems & Procedures PMO – Corporate Treasury explains, "Our objective was to have a self-service platform where the IT team managing the XML file formats is not dependent on banks to test the file format and to reduce the turnaround time in enabling efficient banking operations for new destinations."

The solution

Emirates turned to Citi, who has provided them with digital access to cutting-edge technology that addresses speed to market. Citi has embraced the use of a digital enabler through a partnership and collaboration with SWIFT and together they have developed a new tool called SWIFT MyStandards, which simplifies on-boarding and the testing process for payment files, providing access to Emirates to drive and speed up the development of ISO 20022.

The SWIFT MyStandards Readiness Portal is a cloud-based on-boarding and testing tool, so that it could share Citi formatting guidelines in an easy-to-use interactive environment and start file structure and content validation testing in parallel with its planned account-opening process.

Best practice and innovation

Centralising, implementing and using standards-related information, which often involves a lot of time and resources across different departments can be a large undertaking for any organisation. MyStandards is an industry initiative, gathering message specifications from major banks and market practice groups in a central, user-friendly and up-to-date web platform. It simplifies the communication, implementation and maintenance of all standards-related information between Emirates Airlines and its banks.

Pirzada comments, "MyStandards is the platform where documentation about the MT and ISO 20022 standards is published. It eases your analysis and understanding of the message formats."

Pirzada concludes, "The SWIFT MyStandards tool introduced to us by Citi has helped us independently test XML format changes in different regions globally before even sending the files across for testing to the bank. This has saved us implementation time and effort by avoiding the to and fro communication. The confidence level before UAT is much higher and the number of rounds of testing required with the bank have reduced leading to saving on both sides. This is a highly recommended tool for corporates who manage XML development on their side."

Key benefits

- User-friendly solution that enables Emirates to test messages and validate compliance with the Citi specifications in a self-service approach.
- Consistent process and centralised format across the Citi network on a single web portal.
- Self-service internet testing using the Readiness Portal.
- Clear view on the testing activities and on-boarding process.
- It provides Emirates with multi-format documentation such as PDF, Excel and XML.
- Streamlined user experience as they have the information that is relevant to them.
- It provides powerful comparisons to understand the small differences between countries or products.
- Direct support from the portal, ensuring their queries reach the right teams across the network.
- Receive bank-specific guidelines in an industry-wide representation.
- Faster on-boarding process with Citi.

OVERALL WINNER

Best in Class Treasury Solution in Africa

ABB South Africa (Pty) Ltd

Modderfontein, South Africa

Andreas Krause, CFO

Geoff Gursel, Citi, Hadi El-Amaary and Tenzing Bomratsang, ABB

ABB implements solution in 13 countries across Africa

Company profile

ABB is a pioneering technology leader that works closely with utility, industry, transport and infrastructure customers in roughly 100 countries. With more than four decades at the forefront of digital technologies, it is a leader in digitally connected and enabled industrial equipment and systems with an installed base of more than 70,000 control systems connecting 70m devices.

The challenge

ABB had four key challenges:

- Enhancing regional liquidity management, optimising working capital, consolidating risk exposure across banks and markets as well as achieving operational efficiency and control through a centralised treasury structure. Fundamental to the first objective of ensuring optimal treasury management for ABB was improved liquidity management and cash visibility over 13 African markets where it had multiple banking relationships, numerous local and foreign currency accounts and minimal governance over local cash flows.
- Improving working capital through unique and cost-effective financing solutions.
- Consolidating risk and exposure management through a holistic treasury solution in Africa. A recurring theme for many multi-national corporations over the past 12 months is reviewing counterparty risk amongst banking partners in the region.
- Achieving operational efficiency and control in its treasury management across the region.

The solution

ABB adopted Citi's domestic cash management solution to effectively aggregate single-entity cash balances for ABB South Africa (Pty) Ltd accounts in South Africa – these consolidated funds are pooled to a central header account via an automated, end-of-day target balancing mechanism. To ensure end-to-end visibility, ABB is fully integrated with CitiDirect BE to allow for real-time oversight.

Andreas Krause, CFO explains, "We replicated the supply chain finance solution that was rolled out in Brazil, China and Thailand for South Africa which was sourced at a market-leading rate to support financing for 56 key suppliers that are currently on the local programme."

Citi was a natural fit for ABB as a core relationship bank globally through over US$1.6bn of committed credit facilities and maintaining a stable investment-grade credit rating in Africa. Through Citi's pan-African footprint, globally-standardised banking platform and superior balance sheet capacity, it was able to serve as ABB's core banking partner in the region. This resulted in a significant reduction of bank accounts and relationships as well as optimising transactional pricing and connectivity for ABB which translated into US$48,000 in estimated cost savings.

ABB integrated its transactional banking across 13 markets into one centralised payment factory via a secure host-to-host channel that accommodates multiple payment types in a standardised file format, XML v3.

Best practice and innovation

Best practice is showcased in this deal by leveraging years of knowledge and acquired expertise through ABB's global relationship with Citi. This has resulted in an extensive understanding of how both parties operate when it comes to product fit, implementation and service delivery on a local, regional and global level. ABB was one of Citi's first clients to leverage innovative technology such as the SAP ERP integrator when setting up their host-to-host channel which built off existing SAP capabilities and reduced the implementation timeframe, thereby eliminating unnecessary technical costs, time and allocation of resources.

Krause concludes, "Taking into account the variety of corporate regulatory hurdles, the nascent development of payment infrastructure and currency controls embedded in many African markets – for ABB to have developed a regional treasury solution that is both compliant with local regulations and efficient in servicing day-to-day business requirements highlights the true value of this infrastructure."

Key benefits

- Centralised visibility of funds.
- Automation gains.
- Modular and scalable ERP infrastructure.
- Risk exposure reduced.
- Bank relationships consolidated from over ten to a single core bank.
- Market leading rate in SCF programme backed by a US$15m facility which supports 56 key local suppliers.
- Technical implementation time reduced by around 60%.

HIGHLY COMMENDED WINNER

Best in Class Treasury Solution in Africa

Nigerian Breweries Plc

Nigeria, West Africa

Sola Ismail, Tax and Treasury Manager

Geoff Gursel, Citi collects the award on behalf of Nigerian Breweries and Meg Coates

Trade/SCF solution for brewery in Nigeria

Company profile

Nigerian Breweries Plc, the pioneer and largest brewing company in Nigeria was incorporated and has been in operations in the country for over 70 years. The company has 19 brands, nine operating breweries, two distribution centres, two malting plants and several sales depots from which the high-quality products are distributed to all parts of Nigeria.

The challenge

Nigerian Breweries was faced with some daunting business challenges arising from the current macro environment.

Specific issues included:

- Macroeconomic risk: slow economic growth in 2015 and recession in 2016 showed evidence that there may be reduced demand for Nigerian Breweries' products.
- FX/devaluation risk: given that some of its raw materials are imported, Nigerian Breweries Plc was exposed to naira devaluation risks that adversely affected its margins.
- Increased cost of production from locally sourced materials.
- Letters of credit (LC) issuance structures had dried up in the market as most banks lost LC confirmation lines from correspondent banks.
- The outright ban on the use of the CBN FX window for the importation of some packaging materials forced Nigerian Breweries to use locally available packaging substitutes. This temporarily increased the strain on production while also increasing the local currency payable needs of the company.
- Tightening cash flow situation as a result of the fact that Nigerian Breweries had to continue to place naira with the CBN for FX purchase requests. This affected the cash flow of many corporates that had to leave idle cash with the CBN to have access to FX when available.

The solution

In light of the challenges described above, Nigerian Breweries reached out to banking partners to proffer a bespoke, encompassing solution to address the challenges associated with foreign procurement (imports) and local purchases that were threatening to affect the ability of the company to have products on the shelves as well as remain profitable.

Nigerian Breweries were concerned about mitigating the effects of the macro-economic conditions on their working capital. Citi were eventually selected to provide a solution and working with a multi-functional team were able to provide an end-to end solution that was implemented throughout the course of 2016.

Core to this solution was a customised deferred, clean LC issuance structure. This utilises LC confirmation lines from Citi offshore and allows Nigerian Breweries to issue LCs without necessarily having FX. This helped the company better plan its foreign purchases as they knew the value of LCs they could issue at every point in time.

Also, Citi Nigeria issues confirmed deferred LCs to Nigerian Breweries' suppliers and leveraged its correspondent bank relationships to issue and confirm the LCs.

The second key part of the solution is supply chain finance (SCF). Nigerian Breweries used Citi's Supplier Finance Solution across their broad range of local suppliers. This scheme enabled them to increase the payment terms of all their suppliers in order to manage tight cash flows more efficiently.

Best practice and innovation

This multi-faceted project has highlighted numerous instances of best practice and innovation. Most notably, the level of collaboration between the Nigerian Breweries' treasury team and Citi was especially impressive.

Also, Nigerian Breweries developed a methodology to classify raw materials and spares for allocation of scarce FX. This process helped ensure the running of the plants, as the company was able to match the items of import to the deferred LC tenor buckets.

Technology has also been used effectively and Citi's Supplier Finance solution is not only innovative but revolutionary in Nigeria, as traditional supplier finance solutions were manual and offered quantitative benefits to the vendors but not the buyers.

Key benefits

- Streamlined processes.
- Cost savings.
- Improved working capital.
- Business sustainability.
- Improved public image from the corporate social responsibility viewpoint.
- Seamless implementation with no disruptive impact on the company's activities.


Adam Smith Awards 2017


ADAM SMITH AWARDS 2017

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