



Driving the “Power of Dreams” with technology

Tuesday 15th November 2016 at 15:00 GMT | 10:00 EST | 16:00 CET



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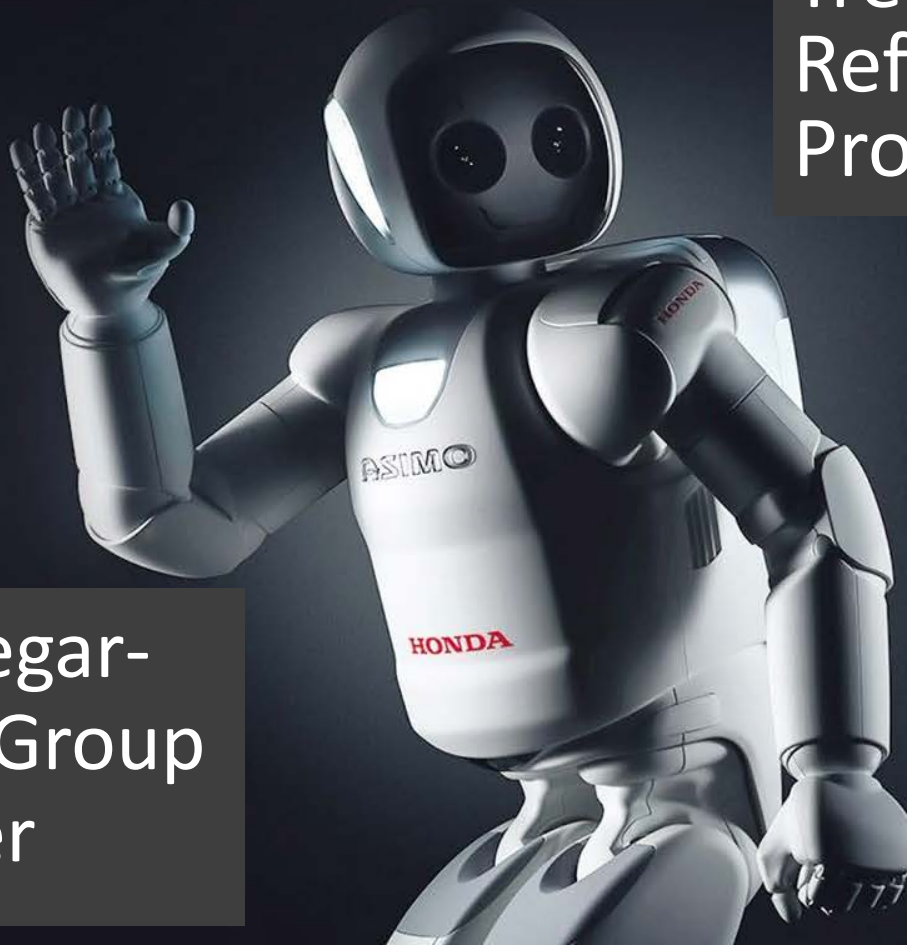
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HONDA

The Power of Dreams

Treasury
Reformation
Programme



Kevin Pinnegar-
European Group
Treasurer

Scene Setting. Who are we?

Group Turnover- circa £4bn annually

Products- Cars, Bikes & Power Equipment

People- Group employs over 7k staff

**Sales Branches in over 20
countries, factories in 5 countries,
HQ Bracknell, UK.**

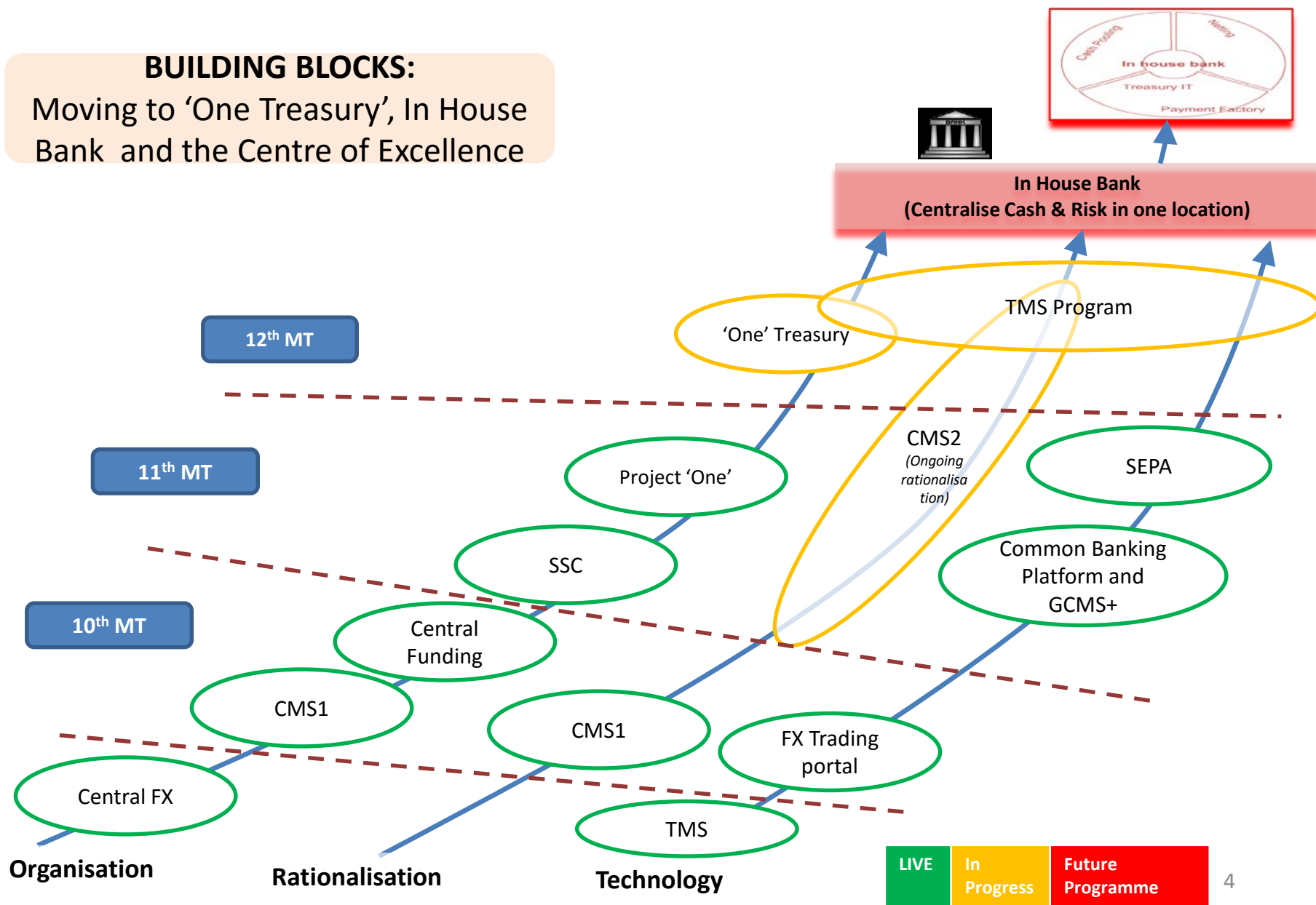
**Honda Finance companies
out of scope for Treasury**



Treasury Strategy Overview – The “Dream”

BUILDING BLOCKS:

Moving to ‘One Treasury’, In House Bank and the Centre of Excellence



Treasury Strategy Overview – The “Dream”

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Moving to ‘One Treasury’, In House Bank and the Centre of Excellence

Themes & Objectives

Treasury Systems Reformation

- TMS Implementation & rollout
 - In-House Cash
 - TRM

Risk Mgmt (Strategic Treasurer)

- Long term stable funding structure
- Loan reduction initiatives
- Improve risk management & reporting

One Treasury

- Treasury centralisation & consolidation
- Further SSC scope increase and optimisation
- Establish organisation to support fully centralised & value added Treasury

Value Added Service

- Training and development for the future
- Enhancing & optimising service quality and value
- Building Awareness

LIVE

In Progress

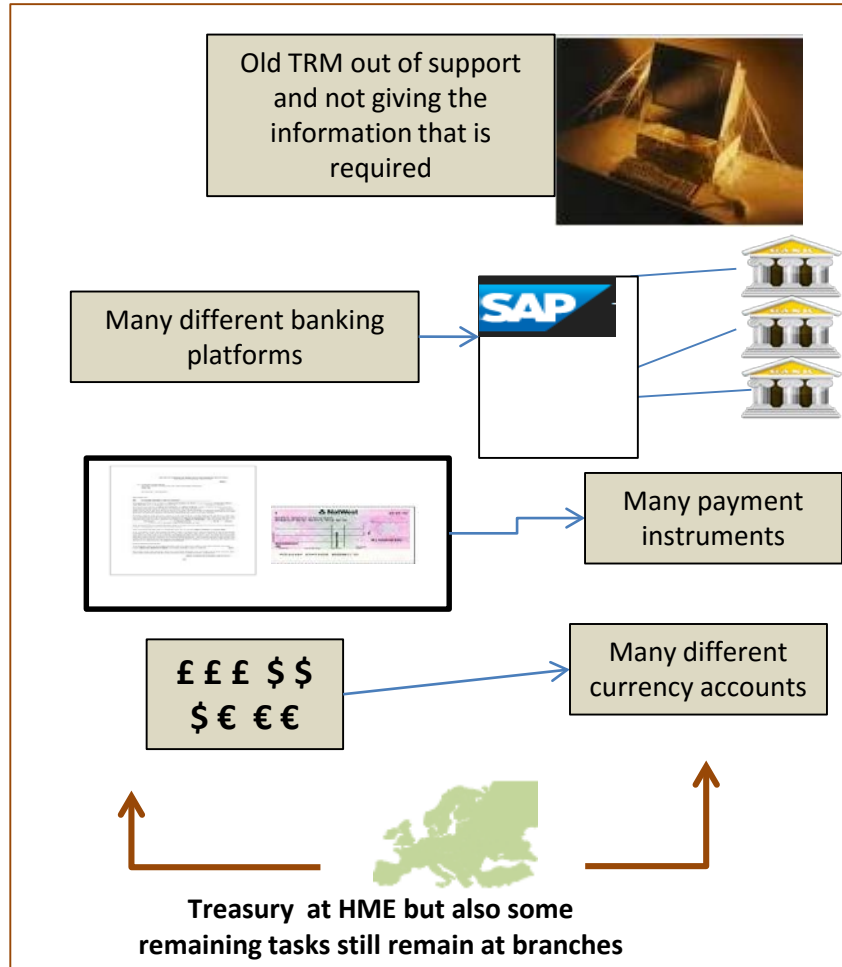
Future Programme

Treasury Management Systems Programme

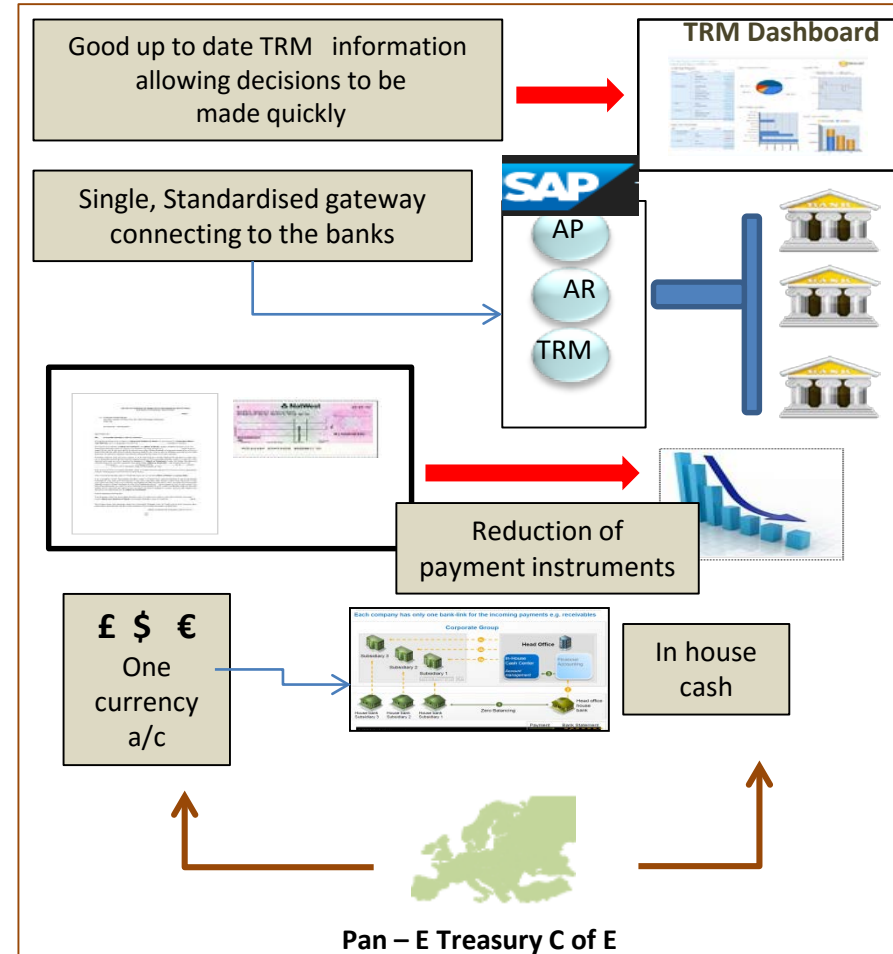
European Group
Treasury

Purpose: to create a highly efficient and effective Pan- E Treasury
C of E

before



after



Treasury Management Systems Programme

Key business objectives:

- To migrate to a new payments platform to reduce operational processing errors and achieve top-tier levels of straight-through processing rates.
- To ensure necessary budgetary parameters were strictly adhered to.
- To achieve significant cost efficiencies by moving forward with a more integrated approach to treasury and Honda's in-house banking business and technology processes.
- To solidify Honda's investment in its Polish Shared Services Centre and Belgian Centre of Excellence by delivering a technology platform that enabled further transposition of mission critical support and business functions to these centres.

The desired end-state included:

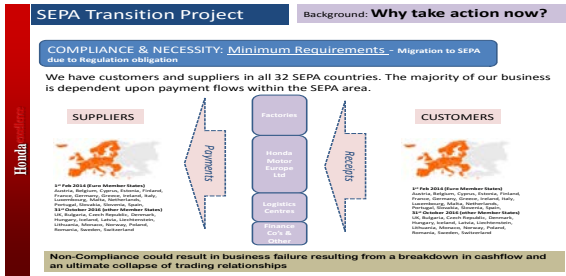
- High quality cash management information.
- A single cash-forecasting solution for HME and branches.
- Reduced points of integration breakdown.
- Significant levels of process automation.
- A centralised master-data maintenance model.
- A better segregation of duties (SoD) model to support the Shared Services and Centre of Excellence models.
- Better payment service levels for treasury, finance, HR and supply chain functions.

The solution:

HME chose:

- SAP Treasury Risk Management (TRM) as its Treasury Management System (TMS).
- SAP Cash Management (CM) as its group cash forecasting solution.
- SAP Bank Communication Management (BCM) for its payment gateway.
- SWIFT Alliance Lite2 for SEPA and non-SEPA payments channel infrastructure
- IHC using in house SAP developers

Treasury Programme (Background) - Achievements



Swift Alliance Lite 2:

Implemented a **standardised** European payments gateway for payments, collections and statements.

Interfaces to 3 banks: BTMU, Citi and Barclays

Standardised workflow and approval through BCM

SAP Treasury & Cash Management interface showing contract details for a loan.

Company Code: 0001 SAP A.G. Transact: 1000

Product Type: 010 Fixed Term Deposit Activity: 1 Contract

Transact Type: 100 Investment

Business Partner: DEUBA Deutsche Bank Group Frankfurt am Main / Rostmarkt 18 / 60

Investment: 1100 Investment / Increase

From Date: 100,000.00 EUR

Interest structure: 4 0000000

Percentage Rate: 2.00000

Interest method: 1 4 end of term

Frequency: 1 4 end of term

Contract date: 02/11/2007 / 17.33.17

Contract Person: External Ref: 1

In House Cash:

Payments on behalf of (POBO):

Collections on behalf of (COBO):

Receipts on behalf of (ROBO):

Internal Payments

EOD and Intraday statements

SEPA – Single European Payments area:

Standardisation of payment and collection processes.

Automation of uploads into SAP and standardisation of posting rules.

Rationalisation: Migration of in scope sites to one bank (BTMU) and one banking system (GCMS+) at Branches for SEPA

Centralisation: Secure central creation point for new bank account details and electronic DD mandate.

SAP Treasury & Cash Management

Daily cash positioning

Settlements and confirmations in FXALL

Loan Management

Reuters' data scope

FXALL PI interface

Credit counterparty limit management

5 weekly cash forecast



Swift Alliance Lite2

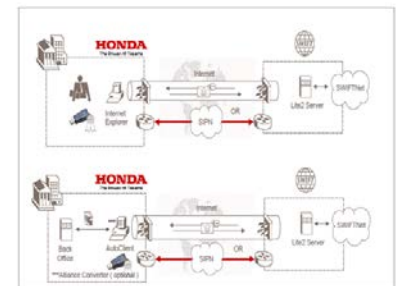
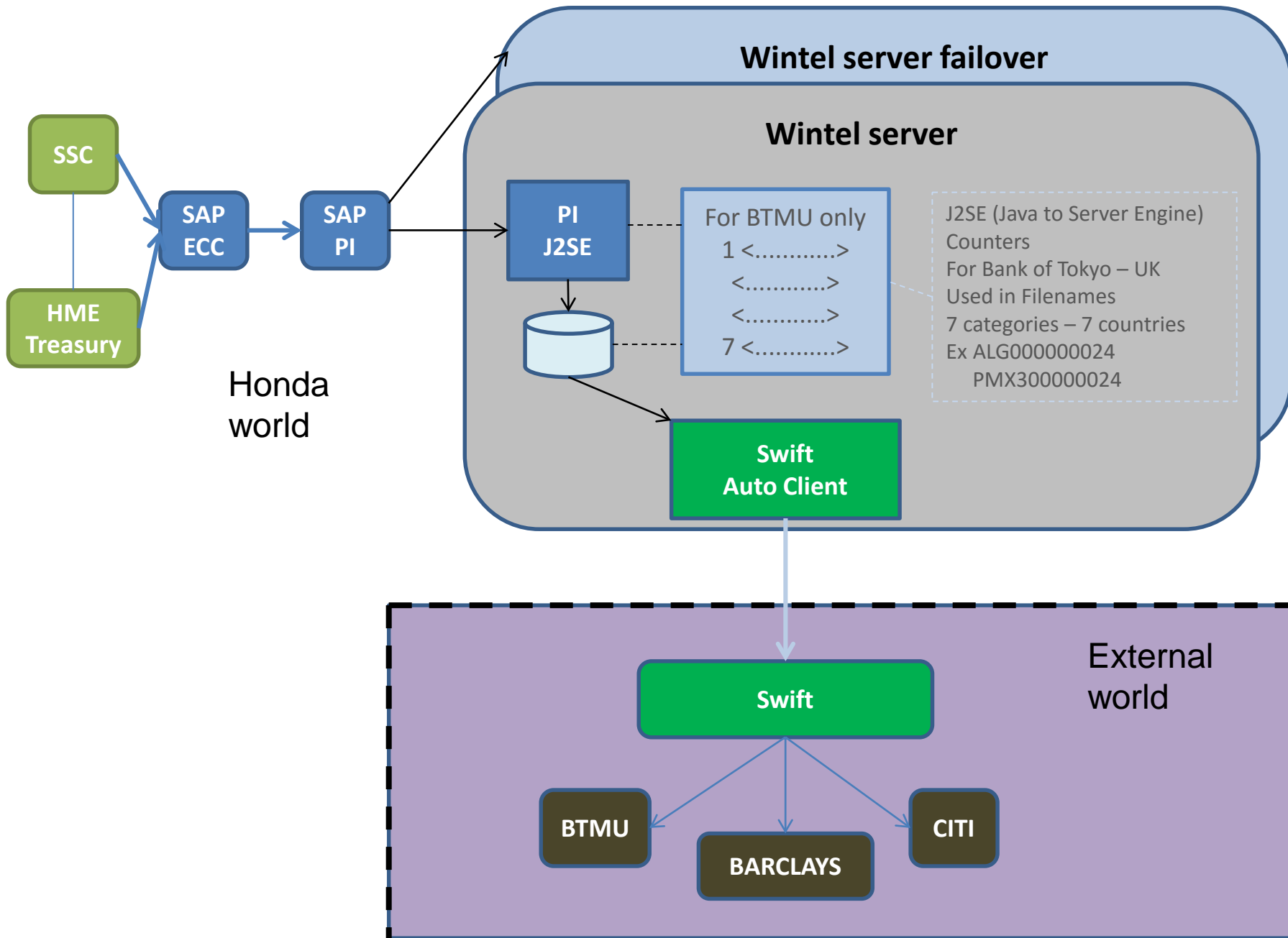


Figure 2: SWIFT connection scenarios

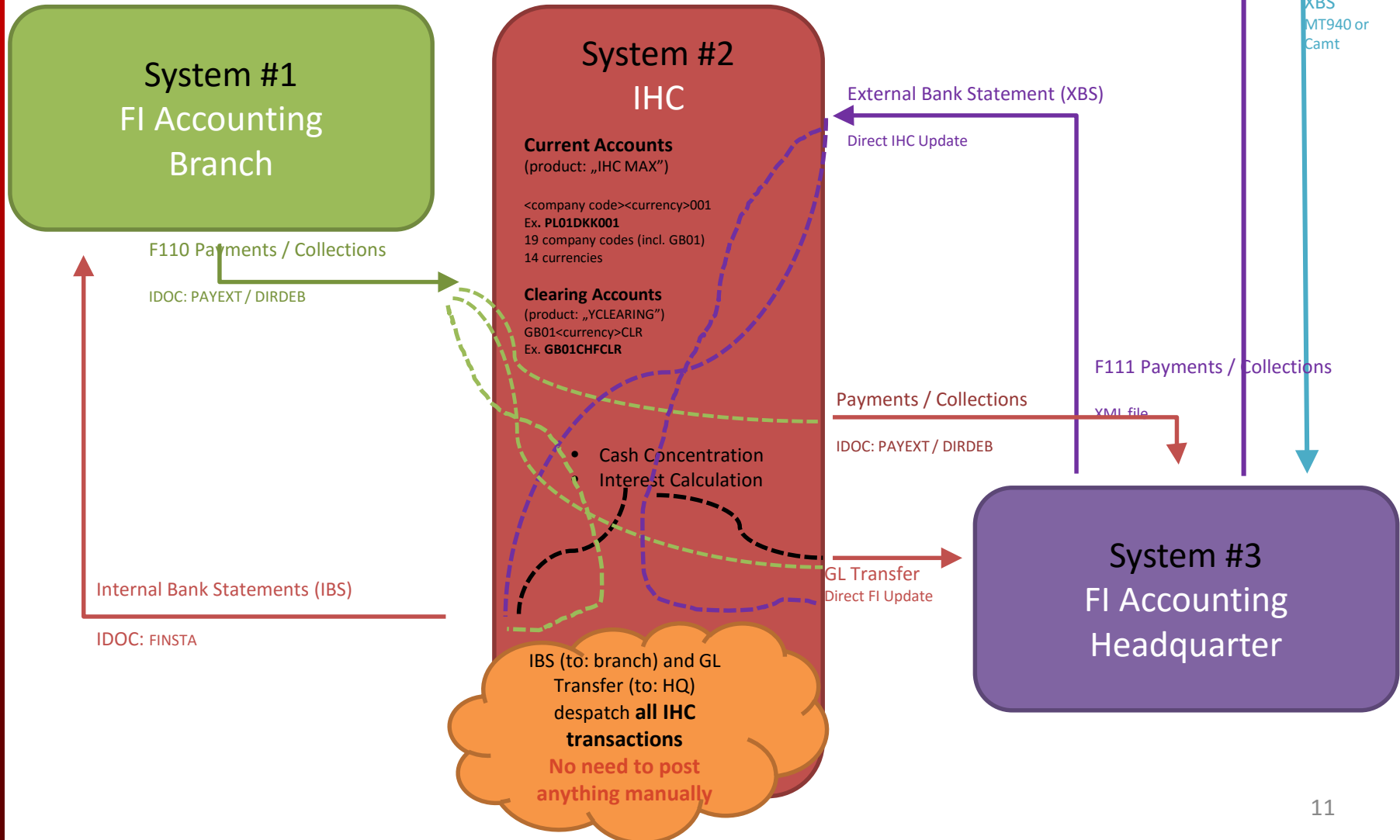
SAP can connect to the AutoClient located in the Intranet layer using a J2SE connector (a Java component). The AutoClient servers are foreseen to communicate over the VPN connection to SWIFT.

System Landscape



IHC Overview

3 different
systems



Key Benefits

- **TMS integrated with ERP, facilitating much improved cash forecasting, increased visibility of Cash enabling a reduction of loan balance**
- **Increased Efficiency: Automated STP payment processes, standard file formats and payment calendars**
- **Decrease Risk: Governance / Control and compliance risk**
- **Headcount & Operational efficiencies in SSC**
- **Bank Account and Bank system fees reduction**

Key Lessons Learned

- 1) Invest more time than you think is needed to thoroughly define the requirements specific to your business.
- 2) Choose your business partners well, Covarius provided an outstanding service often going the extra mile to help us achieve our objectives within the challenging timelines.
- 3) Ensure realistic resources from the outset both in terms of people and costs.
- 4) Make sure your ISD department and other key stakeholders fully understand and buy into the solution you are aiming for.
- 5) Watch out for upgrades to servers!

Quote from founder Soichiro Honda

‘Honda is a Company that believes in the infinite possibilities of the human being and places the greatest emphasis on the ideas and suggestions that come from individuals who are involved in the actual work place’

HONDA

The Power of Dreams

Thank You





QUESTION TIME



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