

## How has South32 streamlined its payments process?

*The Australian mining giant has utilised SAP's In-house Cash module to drive efficiency and reduce costs.*

South32 is a globally diversified metals and mining company, with operations mining and producing bauxite, alumina, aluminium, energy and metallurgical coal, manganese, nickel, silver, lead and zinc in Australia, Southern Africa and South America. The focus of the company's operations is in the Southern Hemisphere, with a head office in Perth and regional hubs in Perth and Johannesburg

Following its creation in 2015, the Australian mining company found itself in a unique position. Born out of a demerger, South32 was a new company that had inherited a highly-sophisticated treasury operation from its previous owner. It had an optimised cash management structure and a large degree of automation provided by the use of SAP's treasury and cash management modules.

Despite this, there were some areas of the treasury operation that remained inefficient. Most notably it had operated a large number of bank accounts around the world with many foreign currency payments being managed by the banks, both resulting in unnecessary complexity and costs.

### In-house cash

This was something that we were keen to change and with the objective to create a more efficient payment process, reduce its bank accounts and in turn reduce costs, we identified a solution that would allow them to achieve this.

SAP's In-House Cash (IHC) module was something that we explored when South32 was still part of BHP Billiton. The project was deferred as it required significant work and there were already a number of projects ongoing at that point. The demerger, however, enabled us to explore this solution again.

SAP IHC module enables the treasury function to act as an in-house bank (IHB), processing internal and external payments within the group. It supports payments on behalf of, receivables on behalf of, cash pooling and intercompany netting. Aside from enabling treasury to reduce a number of bank accounts it operates; the solution has also delivered further benefits.

Traditionally, we had a large number of intercompany payments that were booked through the banking system as physical payments. The implementation of IHC has enabled us to reduce this number significantly.

These payments are also no longer recognised in the SAP cash management module. This has reduced a lot of the noise that surrounded our payments process, providing much greater oversight and control by enabling us to see what cash is moving out of the group.

Further cost savings have been achieved through tightening up South32's foreign currency payment process as these were typically paid via a local USD account, at a cost. We now have payments going through the accounts in the underlying currencies held by Treasury, reducing costs significantly.

### Quick wins

Aside from the benefits that the solution has delivered, South32's IHC project is notable because of its quick delivery. Working in partnership with consultancy firm Covarius the solution went from design to live in seven months.

## Treasury Insights

The quick implementation was one of the treasury team's objectives and this helped them focus the scope of the project. This was extremely important and we even discounted some of the functionality that IHC provides because it didn't align with our overall objectives and would only see us bogged down in unnecessary work. Many companies also use IHC as a chance to reengineer their banking structure - we didn't need to do this because of our already efficient cash management structure.

De-risking the implementation was another important factor for South32 when undertaking the project. Payments are the lifeblood of any company and treasury must not expose the company to any risk when making changes to payments processes and bank accounts. As such, we didn't close the old bank accounts when the IHC solution went live, just in case something went wrong, this way we could revert back to the old accounts and solution.

### **Managing complexity**

Treasury is planning to close down 75 accounts in the coming months once they are sure these are no longer required. This has created some additional complexity because we are now running two payment systems until the redundant accounts are closed, but this is better than not being able to make payments when required.

During the design and testing of the new solution, South32 also faced some challenges. The SAP solution that we operate is a lot more customised than we realised at first. We, therefore, had to make some technological changes and enhancements to ensure the solution worked correctly. Unsurprisingly, we are still working through a few idiosyncrasies that we have found since implementation, which is to be expected in these types of projects.

### **Taking the next step**

Once these are ironed out, South32 will be left with a truly best-in-class treasury operations function. The team are not ones to rest on their laurels, however, and are already working on our next project.

By ensuring we have visibility and control over our global payments and accounts we have been able to utilise cutting edge risk reporting tools and we have recently adopted the Tableau dashboard solution that provides treasury and the CFO with the ability to see the Group's cash portfolio around the world in near real time along with short term (4 weeks) cash flow forecasts across every bank account in every bank we operate globally, all at touch of a button or the app on your phone.