

EACT Survey 2022



Every year, EACT launches a treasury survey to determine top priorities for Corporates. It also aims at identifying challenges corporate treasurers of MNC's are facing and technological innovations they intend to implement. As this survey is the first one since COVID crisis ended, it was interesting to see whether those priorities have changed and if they did, why. This year, EACT received circa 300 answers from Group Treasurers of Multinational Companies across Europe.

Treasury top priorities

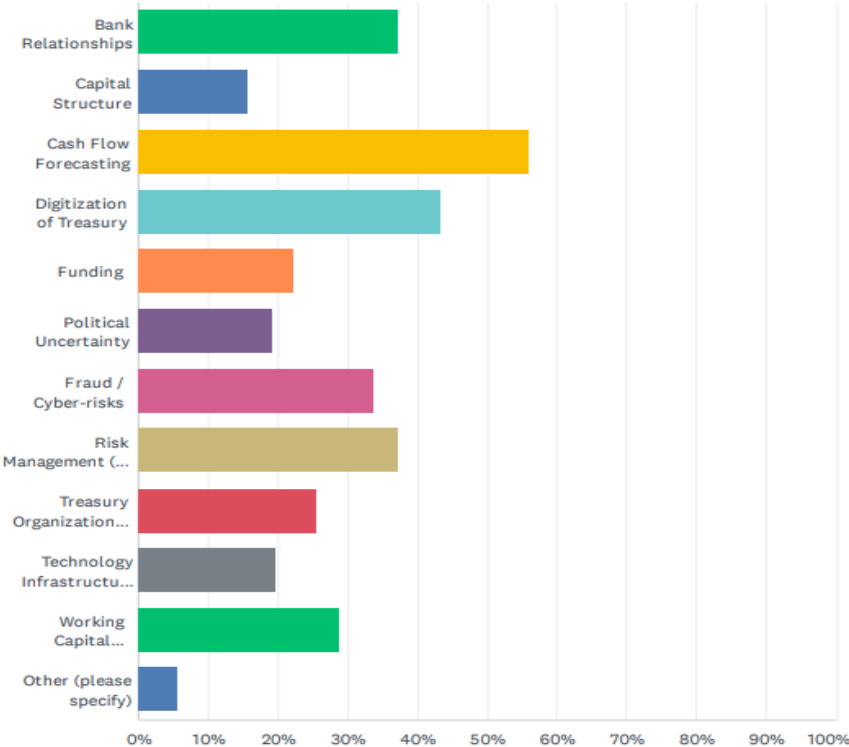
The 2022 EACT survey, as it has become a tradition, attempts to detect what the treasury trends and priorities for multinational companies will be in the next 12 to 24 months. This year, not surprisingly, **future cash-flow forecasting (1)** is still largely in the lead, followed by the **digitalization of the**

treasury function (2), bank relationships (3), followed by a few priorities at rather equal levels, such as risk management (4), fraud and cyber risks (5); working capital management optimization (6), treasury organization (7), and financing (8).

Major priorities over the next one to two years:

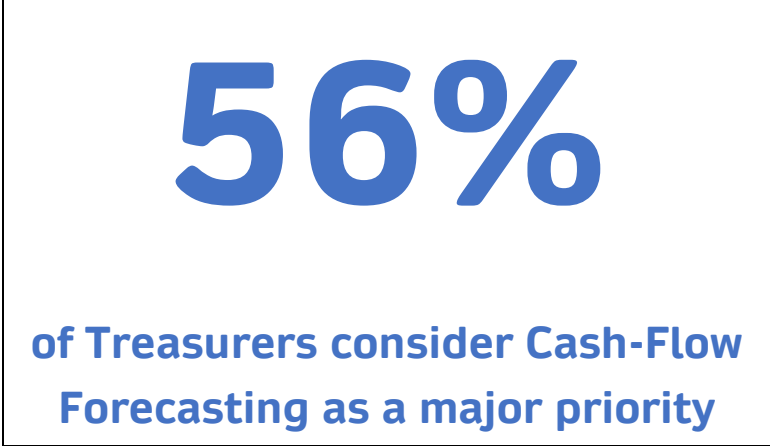
Q2 Which of the following are likely to be your Major Priorities over the next 12 to 24 months? Please choose 3.

Answered: 302 Skipped: 0



We are not surprised that Cash-Flow Forecasting comes out on top when the COVID crisis has been hitting us for the past 2 years and now followed by a war in Ukraine, which has unexpected impacts on supply chains and costs of commodities. The uncertainties surrounding the economy explain the difficulty in producing reliable and accurate forecasts. In addition, the C-level has repeatedly called for stress scenarios and sensitivity analyses to predict the most

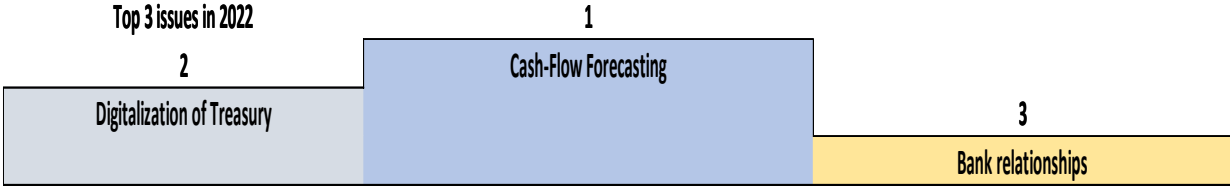
diverse situations, including now wars. The digitalization of the treasury function, itself part of the modernization of the finance function, was ranked second. The two first priorities are the same as last year. Here again, it seems to us that the need to dematerialize, digitize and further automate is logical to make companies more resilient and efficient in their financial management. Finally, in this top tier, the management of bank relationships is increasing. It may be explained by the importance of on-boarding and resilience of solid bank relationships for financing and supplying the companies.



We are not surprised that market risks, including mainly currency and commodity risks, although lower ranked is still a high priority. It can be explained by the still very high level of markets' volatility, re-boosted by the recent Russian invasion of Ukraine. As can be seen, despite the health crisis and the war in Eastern Europe, the priorities have remained relatively identical, even if the ranking order is somewhat different. However, amazingly, the funding issue is only ranked top 8 priorities. After the COVID crisis, many businesses were under

pressure and faced liquidity problems. We could have expected this issue higher ranked.

Top three treasury priorities in the coming months:



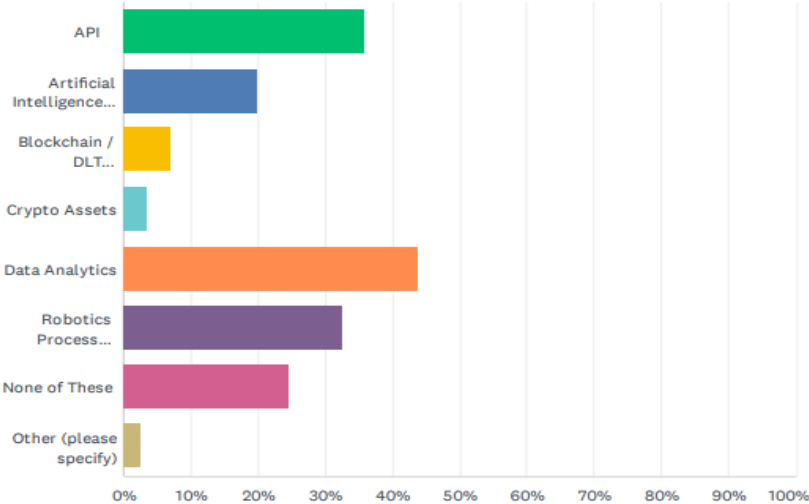
Technological innovations

In terms of technological innovations, it appears that in the next 12 months, the priority will be placed on **data analytics**, **API's**, the **use of robotics (RPA)**, and finally **Artificial Intelligence (AI)** is only ranked priority number 5th. Here again, no real significant changes in the top 3 technologies, which are the same but differently ranked compared to 2021's survey. We all understand that the C-level wants treasury to make use of huge financial data they sit on and develop more reporting and dashboards. API's have shown the use banks and corporates can make out of them. Robotics and RPA's are an intermediary steps to automation, which explains its high ranking. However, one treasurer out of four doesn't plan to use any of these technologies listed. They may have other priorities; they may want to first fix current systems around TMS's or review current IT architecture before using other new technologies. Contrary to the recent excitement for Bitcoins and announcements around CBDC, crypto currencies do not seem to be a priority for treasurers.

This is not surprising given their nature and the fact that they are a new asset class rather than a new currency. The answers show a certain lucidity on the part of treasurers who seem realistic in their use of new technologies.

Q3 Which of the following Innovations are you currently using or do you intend to use in the next 12 months?

Answered: 302 Skipped: 0



Real-time treasury

On the question of which technology will be of most interest in the next 12 to 24 months, access to **real-time information** emerges, followed by **real-time payments and collections**, explained by the current crisis, and need for immediate collection to limit funding needs, or, sometime, to simply survive (we can see that immediacy and the time factor have become crucial, at least for certain industries and B2C businesses). The third one is the **real-time liquidity** and finally immediate (automated) **management of foreign exchange risk**, which remains stable in position number 4.

The FX risk, given high volatility of markets and uncertainties, stays in top priorities. The fact that there still are lots of highly manual processes around FX and commodity management is pushing for further automation for efficiency and internal controls reasons, mainly. Next, comes the Fintech's with multiple innovative solutions. These Fintech's are giving a lot of hopes to treasurers to really change their ways of working. The use of very promising **API's** (i.e., Application Programming Interfaces) and "on-demand processing". The concept of on-demand treasury has become a "must". The real-time access to information. Treasurers realize that they are sitting on a huge quantity of financial data that needs to be used, crunched, consolidated, and analyzed to enable better management decision and to be more proactive and faster in reacting to crises or to problems.

IT solutions fragmentation

The fragmentation of IT systems in treasury and the complexity of IT architectures in many of MNC's treasury departments explains the importance of the risk of fraud, which has increased in recent years, and of cyber-risk. It increases these risks by a lack of fluidity, homogeneity, and sometimes consistency of the financial data to be processed. In the same vein, it is detrimental to the quality of future cash flow forecasts. It is true that the more IT solutions are used, the more difficult it becomes to consolidate data and to allow systems to interact with each other, or to exchange data. The more complex the IT construction of the treasury is, the more complicated the change will be/appear to be. One would like to change the IT organization but sometimes does not dare to tackle the cliff that this represents.

Instruments to be used in the next 12 months for optimizing Working Capital management

What role does treasury play in the management of working capital and what is its influence or responsibility within the organization are essential questions to address if CFO's want to optimize it. It resulted from past surveys that the treasurer influences (at 50% +) working capital or is "responsible" of working capital optimization (i.e., for 20% of the treasurers), and partially responsible (i.e., 20% -) or not at all for the others. Working capital enhancement projects are always complex because it includes a lot of different departments. To be successful (as it is a major post-COVID priority) it requires a solid sponsorship from the CFO's, clearly identified Project Managers and commitment from all stakeholders. The instruments used or they plan to use in the next 12 months are the following: payment terms (1), supply chain and invoice financing (2), cash-flow forecasting solutions or platforms (3), account receivable automation (4) and innovative and new e-payment methods (5).

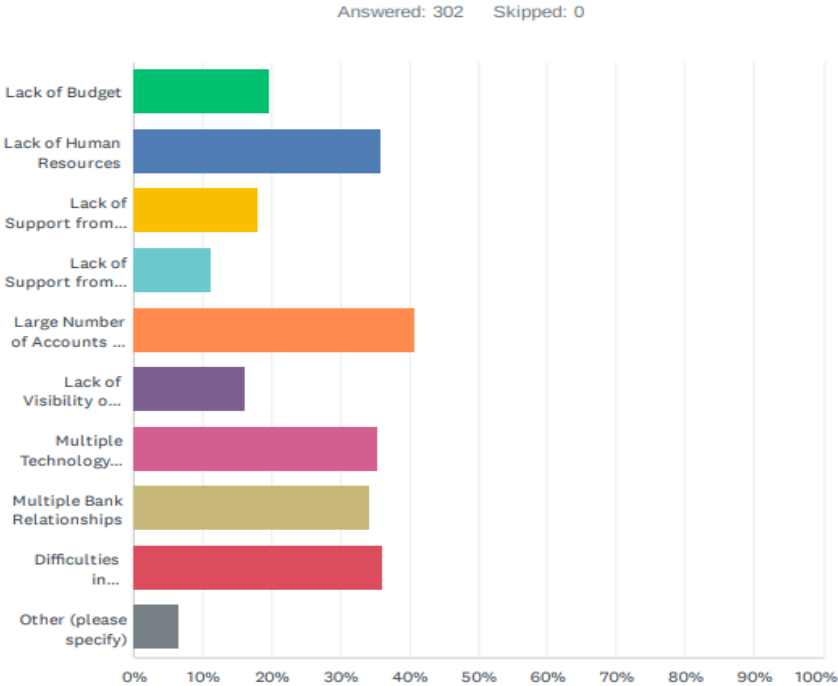
Treasurers are back to basics but also, as it was crystalized by the pandemic and then the war in Ukraine, try to support any initiative to enhance and optimize working capital, as the best funding tools at disposal.

Greatest challenges ahead

The question of the greatest challenge facing the treasurer is interesting to understand what treasurers will need in priority. It emerges that the large number of bank accounts, complex group structures and number of legal entities are the major concern. The difficulty to standardize processes and internal

controls comes as number two priority. Standardization remains a preliminary and necessary step to automation, improving the organization of the department, increasing efficiency (e.g., automatic reconciliation, Straight Through Processing / STP, use of mass data, etc.). Then, the specificity and multitude of IT tech platforms, services, fintech's and API's explain the multitude of existing solutions, corollary of specialization. They may be multiple on the services offered, but they are also numerous to serve each time a specific need. Therefore, the treasurers must juggle with more and more solutions, which complicates management.

Q6 What are the Biggest Challenges you face in centralising treasury in your organisation? (please select up to 3)



The multiple banking relationships comes next, given the too large number of bank accounts and banking partners. Obviously, the lack of budget (classic in times of crisis), the

too weak support from Business Units (i.e., operations), the opacity on bank fees and eventually the absence of a stronger sponsorship from the CFO and the lack of support from the C-level in general are the other challenges faced by corporate treasurers.

ESG focus

The final question covers the ESG (i.e., Environment, Social & Governance) and how the treasurer supports and assists colleagues in implementing measures to support social and environmental responsibility. The issuance of green bonds comes in place (from second). These days, we saw a significant increase in green financing across Europe. The forced reduction of travel and homeworking during COVID and lockdown periods certainly helped the treasurers to contribute to this. Next is the review of processes and controls to improve sustainability (i.e., stable).



17%

of Treasurers are not involved at all in company's ESG agenda

The use of sustainable investment instruments comes next with the objective of contributing to ESG using “greener” and

more socially responsible Money Market Funds. It seems that the ESG theme is gaining in importance but has not yet reached its full development and maturity. The treasurer seems to underestimate the possible imprint he/she may have on this theme. We still have 17% of the treasurers who are not involved at all in the ESG agenda. It is declining over time (i.e., 25% last year). Nevertheless, this percentage remains high, and we can only be surprised by the lack of involvement in a key priority for all companies.

Take-aways

In summary, the results seem to have been reinforced by the longstanding pandemic, which has reinforced the need for centralization and automation, the two best responses to such a crisis. The war in Ukraine, which started after the launching of this survey has an impact. This quest for further digitization and the hope founded in new technologies and innovations are explained by the importance of combating increasing risk of fraud (higher ranked, as cyber-attacks and frauds significantly increased during the pandemic) and strengthening of internal controls, by growing economic uncertainties, by the need for more efficiency and by a lack of sufficient (human) resources. The crisis has crystallized the need to digitize and accelerate the ongoing transformation. The maturity of technological solutions makes it possible more than ever to place greater hope in improved cash management.

The challenge for treasurers comes not so much from the changes themselves, but from managing the continuum of changes, on the economic, financial, and regulatory sides. It is clear from this survey that there is still a long way to go to reach a level of mastery of new technologies, real-time operations management, and reduction of inherent treasury risks. Despite the significant shift noticed during this pandemic to digitize and automate treasury processes wherever possible, the survey demonstrates the need for taking treasury to the next level.

François Masquelier, Chair of EACT (European Association of Corporate Treasurers)

Pull quotes:

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François Masquelier, Chair of EACT

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Tags:

Treasurers' key priorities / Treasury-On-Demand / Real-Time treasury / Digitization

Content blurb:

This annual survey shows that despite the COVID crisis, top priorities of corporate treasury remain rather similar. No one will be surprised to see Cash-Flow Forecasting as the number one priority, followed by digitization (and automation) of treasury processes. Today Treasury would like to rely more on technology and innovations proposed to become more resilient and more efficient.