

# Nordic SAP Treasury Community Event 2023

|  |       |
|--|-------|
| Welcome - and an introduction to creating a successful project - presented by <b>PwC</b>                       | 13:00 |
| Discovering SAP's latest Treasury capabilities - presented by <b>SAP</b>                                       | 13:15 |
| Discussion on SAP Treasury developments and community  | 13:30 |
| SAP Payment Factory - Presented by Carolin Issa, Transaction Banking, <b>Otto Group</b>                        | 13:45 |
| <b>Break and networking</b>  | 14:15 |
| SAP Commodity Risk Management – presented by <b>SAP and PwC</b>  | 15:00 |
| ABB's Transformation in Corporate Treasury - presented by Felix Meyer, Head of Treasury Technology, <b>ABB</b> | 15:30 |
| <b>Break and networking</b>  | 16:00 |
| Optimised risk management - presented by Jean-Baptiste Disdet, Treasury Technology Director, <b>JTI</b>        | 16:30 |
| <b>Wrap up</b>   | 17:00 |
| <b>Drinks and light dinner</b>   | 17:15 |
| <b>Thank you for today</b>   | 19:00 |

## Your hosts of today



Casper Borly  
Financial Risk & Treasury



Melania-Margareta Meyer  
Treasury & Risk  
Management



# AN INTEGRATED CASH FLOW HEDGE ACCOUNTING SOLUTION IN SAP S/4HANA



Jean-Baptiste Disdet

Treasury Technology Director

Japan Tobacco

# Agenda

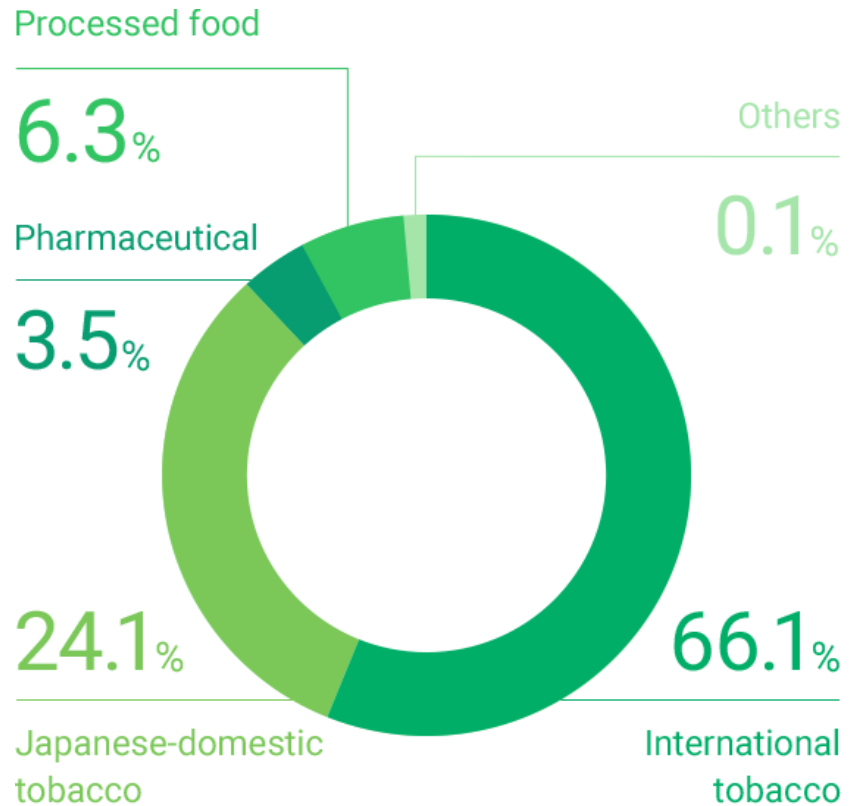
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1. Overview of JT Group Treasury
2. Overview of FX hedging operating model
3. A deep dive into system architecture
4. Insights on SAP S/4HANA solution implemented
5. Q&A



# JT Group At Glance

## Revenue breakdown by business segments



## Key figures

**\$20.2Bn** Revenues

**130** Countries

**55,381** Employees

**400** Offices

**110** Nationalities

## Our Tobacco Flagships\*



# JT Group Treasury

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Head of Group Treasury based in Geneva, Switzerland



3 Financial / Trading entities: Switzerland, Netherlands and Japan



Verticalized function with 115 professionals across 6 regions

Credit Rating **A+**

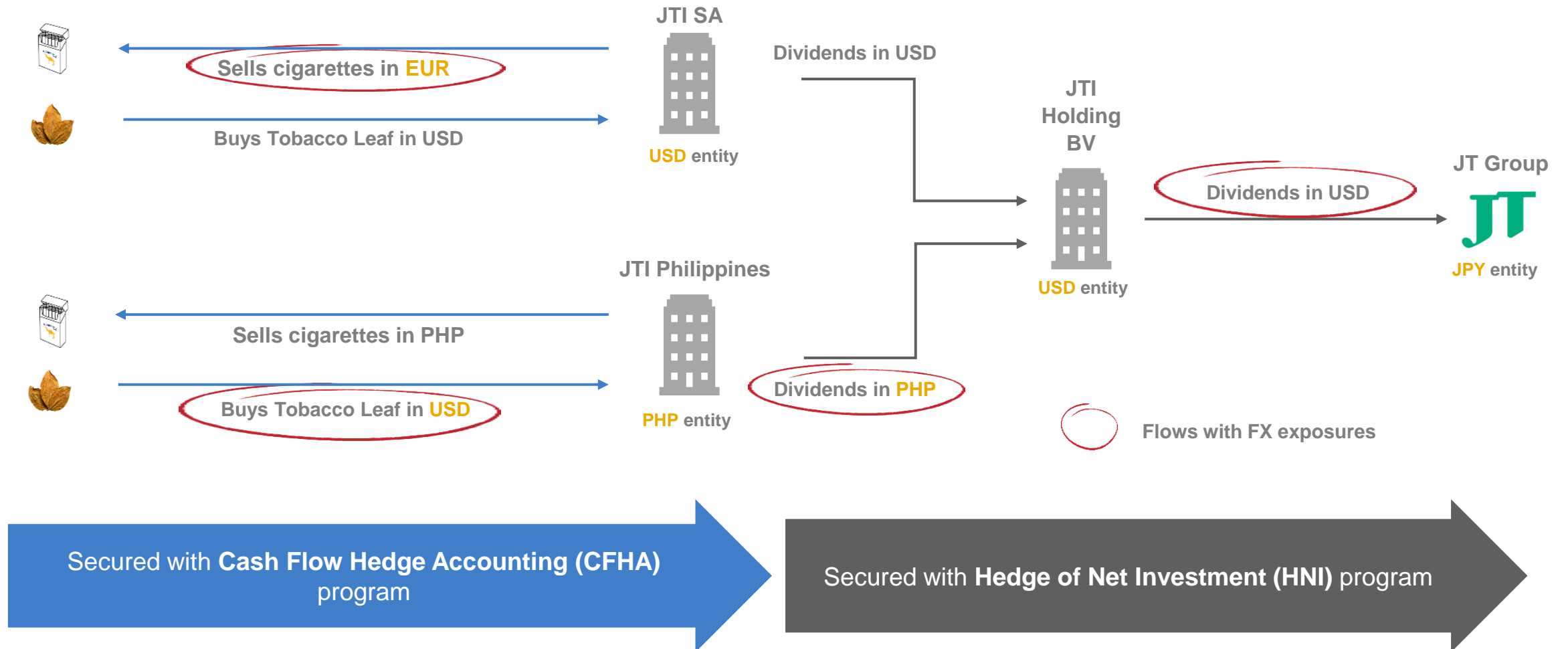
Revenues **\$20.2Bn**

FCF **\$4.2Bn**

Debt/Equity **0,37x**

Leverage **1,7x**

# Group's Approach To Secure Future Cash Flows

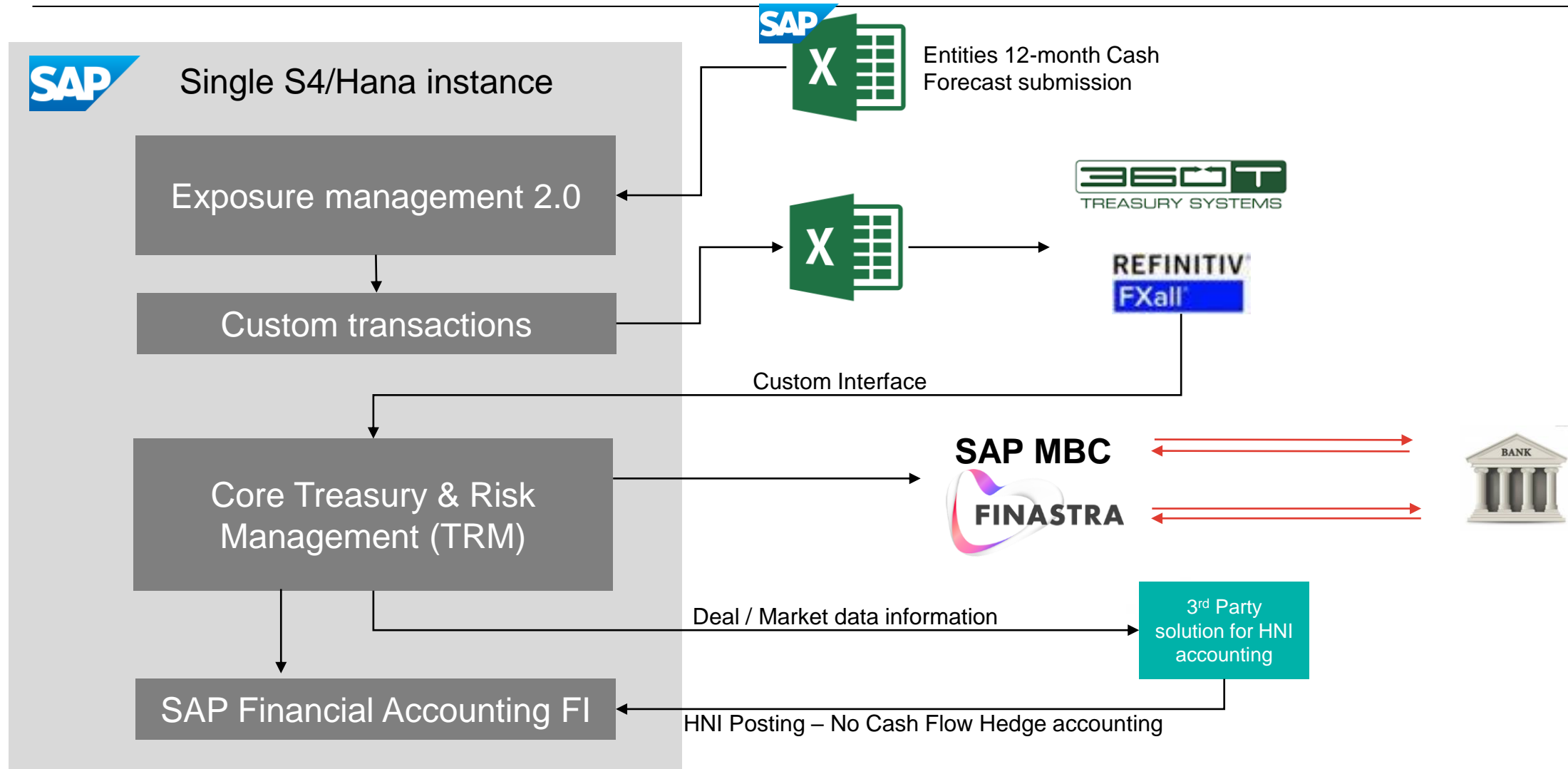


# JT Group FX Operating Model

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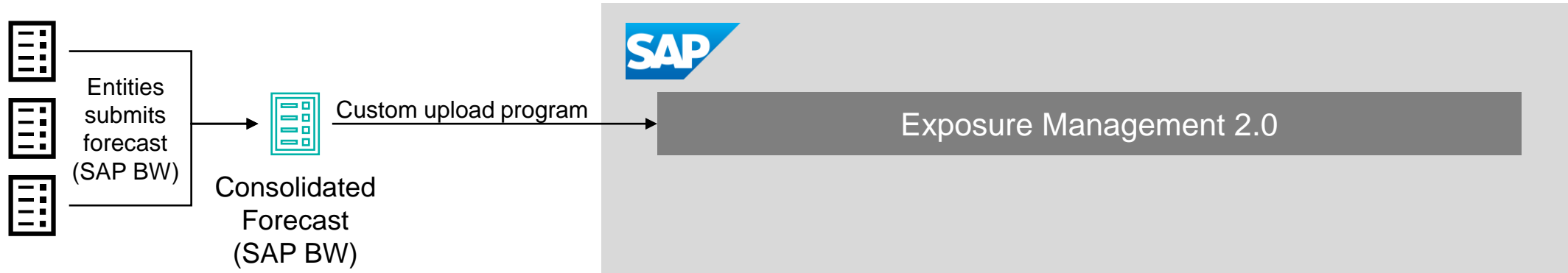
- 3 Trading entities
- Various Hedging programs
- Hedges calculated at Entity / Currency level – no consolidation of exposures
- Back to Backs AND **Central hedging**
  - Some trades are pushed down to local entities
  - Some trades remain in trading entities, which allows Hedge Accounting to be performed on “**Cross-Currency**” scenarios  
E.g. EUR/PLN Trade in a USD entity

# A Deep Dive into System Architecture Before Implementation





# Insights on SAP S/4HANA Solution Implemented Exposure Management



## In Exposure Management

Exposure Positions as of 10.06.2022

|                                     | Key Date   | Exp.Type | Pos ID | CoCd | ExpAmtCrcy | TargetCrcy | Period | Plan Yr | ExpDueDte  |
|-------------------------------------|------------|----------|--------|------|------------|------------|--------|---------|------------|
| <input type="checkbox"/>            | 10.06.2022 | X006Q    | 40002  | 1245 | EUR        | TRY        | M2     | 2023    | 28.02.2023 |
| <input type="checkbox"/>            | 10.06.2022 | X008Q    | 40003  | 1245 | EUR        | TRY        | M2     | 2023    | 28.02.2023 |
| <input checked="" type="checkbox"/> | 10.06.2022 | X012A    | 40004  | 1245 | EUR        | TRY        | M2     | 2023    | 28.02.2023 |
| <input type="checkbox"/>            | 10.06.2022 | X127I    | 40005  | 1245 | EUR        | TRY        | M2     | 2023    | 28.02.2023 |
| <input type="checkbox"/>            | 10.06.2022 | X012A    | 40007  | 1245 | USD        | TRY        | M2     | 2023    | 28.02.2023 |

- Exposures from Excel upload are translated into SAP exposures
- **Each Risk categories are still identified**

# Insights on SAP S/4HANA Solution Implemented Hedge Management Cockpit

## The Hedging Cockpit

Hedging Area: NAH030 FX CFH (N), ALL Tobacco material 03 OUT

Layout ID: HEDGING All Characteristics (Key Figures in Rows)

Scaling: None

Filter Details

Details

Drilldown (Cell) Exposure Item Hedge Request Automated Request Creation

| CoCode | TargetCrcy | R-Curren... | OnBehalfCC | Key Figure Name      | 09.2022       | 10.2022        | 11.2022        | 12.2022       |
|--------|------------|-------------|------------|----------------------|---------------|----------------|----------------|---------------|
| 17...  | USD        | EUR         | 1799       | Incoming Exposure    | 0.00          | 0.00           | 0.00           | 0.00          |
| 1719   | USD        | EUR         | 1799       | Outgoing Exposure    | 4,060,000.00- | 16,690,000.00- | 55,760,000.00- | 4,540,000.00- |
| 1719   | USD        | EUR         | 1799       | Net Exposure         | 4,060,000.00- | 16,690,000.00- | 55,760,000.00- | 4,540,000.00- |
| 1719   | USD        | EUR         | 1799       | Net Hedges           | 1,050,000.00  | 10,848,500.00  | 36,244,000.00  | 2,951,000.00  |
| 1719   | USD        | EUR         | 1799       | NetOpenExp (Incl.HR) | 3,010,000.00- | 5,841,500.00-  | 19,516,000.00- | 1,589,000.00- |
| 1719   | USD        | EUR         | 1799       | Hedged Rate          | 1.1732        | 1.1055         | 1.1100         | 1.1110        |
| 1719   | USD        | EUR         | 1799       | Hedge Quota [%]      | 25.9          | 65.0           | 65.0           | 65.0          |
| 1719   | USD        | EUR         | 1799       | Target Quota [%]     | 65.00         | 65.00          | 65.00          | 65.00         |
| 1719   | USD        | EUR         | 1799       | Amount to Hedge      | 1,589,000.00  | 0.00           | 0.00           | 0.00          |
| 1719   | USD        | EUR         | 1799       | Max. Amount to Hedge | 2,198,000.00  | 2,503,500.00   | 8,364,000.00   | 681,000.00    |
| 1719   | USD        | EUR         | 1799       | Min. Amount to Hedge | 980,000.00    | 2,503,500.00-  | 8,364,000.00-  | 681,000.00-   |
| 1719   | USD        | EUR         | 1799       | Open Amt Hedge Req.  | 0.00          | 0.00           | 0.00           | 0.00          |
| 1719   | USD        | EUR         | 1799       | Hedges for HedgeReq. | 1,050,000.00  | 10,848,500.00  | 36,244,000.00  | 2,951,000.00  |
| 1719   | USD        | EUR         | 1799       | Freestanding Hedges  | 0.00          | 848,500.00     | 0.00           | 0.00          |
| 1719   | USD        | EUR         | 1799       | Designated Hedges    | 1,050,000.00  | 10,000,000.00  | 36,244,000.00  | 2,951,000.00  |

Main screen displaying:

- Trading entities / OBO entities
- Currencies
- Exposure
- Hedges
- Hedge Ratios
- Designated / Freestanding Hedges in Hedge Accounting

# Insights on SAP S/4HANA Solution Implemented

## Creating Hedge Request

<

SAP

Create Hedge Request

Check

Submit

More

Hedge Request ID:

Hedge Req. Category:

FX Hedge

Hedge Request Status:

Created

General

Action History

Hedging Area:

NAH030

FX CFH (N), ALL Tobacco material 03 OUT

Instrument Category:

FX Forward

Analysis Item

Company Code:

1719

JT International SA FINCO

Risk-Free Currency:

USD

Risk Currency:

EUR

On Behalf of CoCode:

1799

JT International SA FINCO

Period:

07.2022

Exposure Item ID:

4161

1:NAH030;2:07.2022;3:EUR;11:1719;12:1799;13:N

Snapshot ID:

5

Instrument Attributes

Hedging Classificatn:

NF030

FX CFH (N), Forward/Spot/NDF, 03 Tobacco Material OUT

Portfolio:

\* Value Date:

# Insights on SAP S/4HANA Solution Implemented Trading Platform Integration

## Trading Platform Integration – Credit limits Pre trade check

Counterparty Limit Check

Not Filtered

Counterparty Limit Checks (3)

Save

Edit Counterparties

| Counterparty                                    | Current Limit Utilization Status                 | Calculated Limit Check Status                      |   |
|---|--|--|---|
| <input type="checkbox"/> Bank of America        | <input checked="" type="checkbox"/> OK           | <input checked="" type="checkbox"/> OK             | > |
| <input type="checkbox"/> SEB                    | <input checked="" type="checkbox"/> Limit Locked | <input checked="" type="checkbox"/> Limit Locked   | > |
| <input type="checkbox"/> Royal Bank of Scotland | <input checked="" type="checkbox"/> OK           | <input checked="" type="checkbox"/> Limit Exceeded | > |

Bank of America

Current Limit Utilization Status

OK

Calculated Limit Check Status

OK

Trade Requests

Blocks of Trade Requests

Check Details

| Trade Request ID               | Currency Pair | Included | Preferred Counterparties | Traded Amount    | Trading Activity |
|--------------------------------|---------------|----------|--------------------------|------------------|------------------|
| STM-4JH4UWJDBVDZNP7U7ZKD74MEAU | EUR/USD       | Yes      | BOA, SEB, RBS            | 7,000,000.00 USD | Buy              |

Blocks of Trade Requests

| Block ID                          | Currency Pair | Included | Preferred Counterparties | Net Amount |
|-----------------------------------|---------------|----------|--------------------------|------------|
| No blocks of trade requests found |               |          |                          |            |

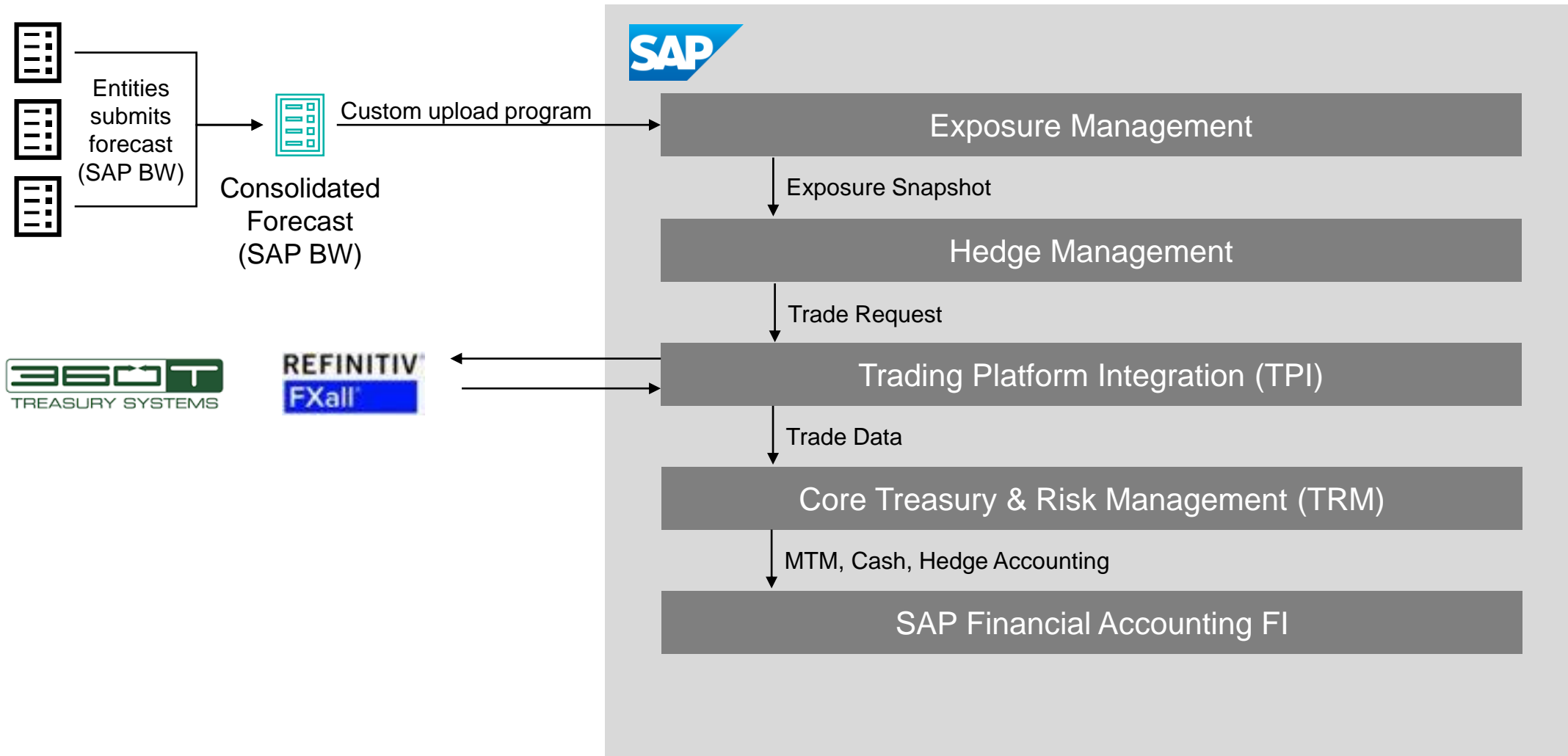
Check Details

Limit Check Details (1)

| Limit Check ID | Calculated Limit Check Status | Current Limit Utilization Status | Counterparty    | Limit Type | Company ID | Limit Product Group | Internal Limit    | Current Limit Utilization | Calculated Free Internal Limit | Current Situation                        | Calculated Free Warning Limit | Calculated Limit Utilization | Current Free Internal Limit | Current Free Warning Limit | Limit Locked | Warning Threshold |
|----------------|-------------------------------|----------------------------------|-----------------|------------|------------|---------------------|-------------------|---------------------------|--------------------------------|--|-------------------------------|------------------------------|-----------------------------|----------------------------|--------------|-------------------|
| Check 1        | OK                            | OK                               | Bank of America | OK1        | 0001       | FX                  | 20,000,000.00 EUR | 68,155.48 EUR             | 19,620,344.52 EUR              | <div><div>380K</div><div>20M</div></div> | 15,620,344.52 EUR             | 379,655.48 EUR               | 19,931,844.52 EUR           | 15,931,844.52 EUR          | No           | 16,000,000.00 EUR |

# Insights on SAP S/4HANA Solution Implemented

## Month-End processes

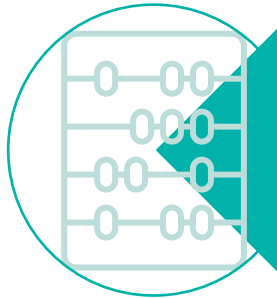


# Insights on SAP S/4HANA Solution Implemented Benefits



Handles different Hedge Accounting scenarios including

- Swaps of positions
- Delayed release (e.g. Hedging inventories)
- Predefined split of delayed release patterns
- Various Designation profiles



Strong Valuation engine that can breakdown

- Spot and forward components
- Currency Basis Spread
- CVA/DVA on each components
- Time / Intrinsic values



A fully integrated solution with End-to-End workflows in SAP

Can manage high volumes of trades with / without Hedge Accounting

Supports FX options, Zero Cost Risk Reversals

# Current developments

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## FX

- Extend hedging Cockpit to Hedge of Net Investment and Balance Sheet Hedging,
- Use FIORI Balance Sheet Hedging applications to spot non-functional currencies balances,
- All Hedging trade request will go through TPI,

# Q&A

