

RioTinto

Dynamic Discounting

Implementation overview

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Why Dynamic Discounting?

Strengthen Supplier Partnership

- Competitive financing option to suppliers, particularly smaller to medium sized suppliers or those unable to access Supply Chain Financing (SCF)
- Current and past twelve (12) months invoice status accessible to all suppliers through vendor (Taulia) portal, regardless if discounts are taken
- Payment process visibility improves supplier customer experience and builds trust

P2P Process Efficiency

- Incentivises completion of three way match for invoice to be available at earliest instance for discount
- Reduced AP Helpdesk workload when suppliers are enabled to perform own reconciliation
- Direct integration with SAP and existing standard payment process

Economic Benefits

- Alternative investment option for Group surplus cash at low risk
- Competitive yield with target program discount rate of x%
- Reduces unit cost of purchase
- Capped at \$xxxM working capital investment

Specific business requirements

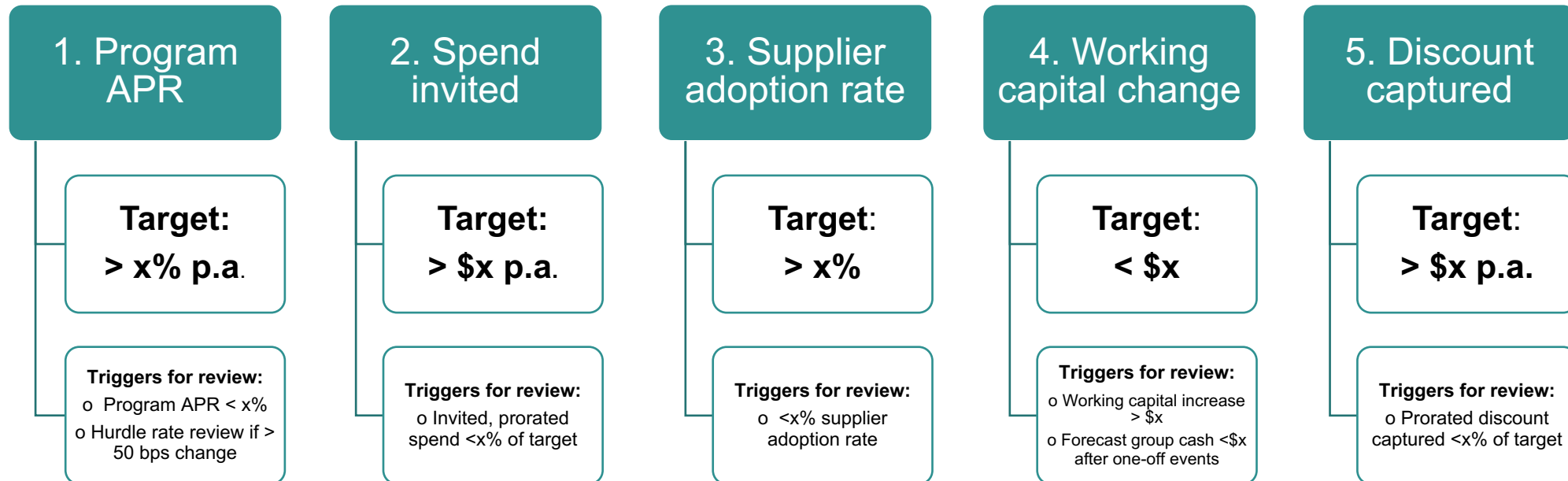
RFP subject to standard Rio Tinto sourcing process

- i. Platform needed multi-language capability (e.g. Quebec French)
- ii. Global Supplier Outreach Team coverage
- iii. Ability to manage complex tax legislation compliance (e.g. Canada)
- iv. System integration and frequency of data transfer from host system to platform and back
- v. Zero disruption to BAU processes (e.g. upstream PTP processes, e-procurement process, no impact to existing contractual arrangements with suppliers)
- vi. Increased PTP process efficiency (month end reconciliations, supplier self serve invoice status queries)
- vii. Small Project Team to implement programme - leverage Dynamic Discounting Partner outreach team and technology
- viii. Ability to control programme working capital limits
- ix. Economic benefits through discounts captured, net of program costs

Challenges

a) Balancing against working capital targets

- i. Establish a program hurdle rate
- ii. Articulate program benefits: trade-off between working capital and costs
- iii. Satisfy internal reporting requirements
- iv. Manage exceptions and exclusions
- v. Program monitoring from inception (see KPIs monitored below)



Challenges

b) Stakeholder management

- i. Multiple owners of supplier relationship
- ii. Internal communication and education (onshore vs offshore)
- iii. External supplier queries (resourcing)
- iv. Ensuring stability in strategic programme direction throughout project lifespan

c) Quality of master data: Supplier contact list and emails

d) Procure-to-pay process alignment:

- i. 10 day invoice processing timeframe
- ii. Payment terms of net 30 days or greater
- iii. Establishing daily payment runs

Key success factors

Partnership from
the start

Communication
and programme
education

Efficient enrolment
campaign

Choosing the right
provider for specific
needs

Establishing clear
governance
structure and
monitoring process

Leverage offshore
to increase
enrolment rate

Effective
managements of
exclusions



SCF Forum Asia

Singapore – 23rd May 2019

Getting buy-in for your supplier finance programme

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Treasury Manager
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