



LEADING TREASURY
PROFESSIONALS



THE BUSINESS OF TREASURY 2017

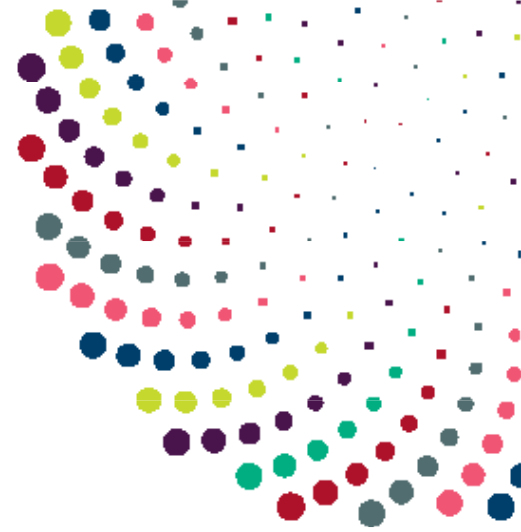
From finance specialism
to strategic partnering

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Methodology

- Telephone interviews, research and statistical analysis were conducted by professional research firm What's Next!, with a random and anonymous global sample of 196 qualified treasurers selected from the ACT's membership base. Interviews took place during Q1 2017.
- The survey has provided five-year comparative data on a wide variety of treasury issues, including: board reporting and approvals; the strategic impact of treasurers; the demand for treasury qualifications; and sources of funding.



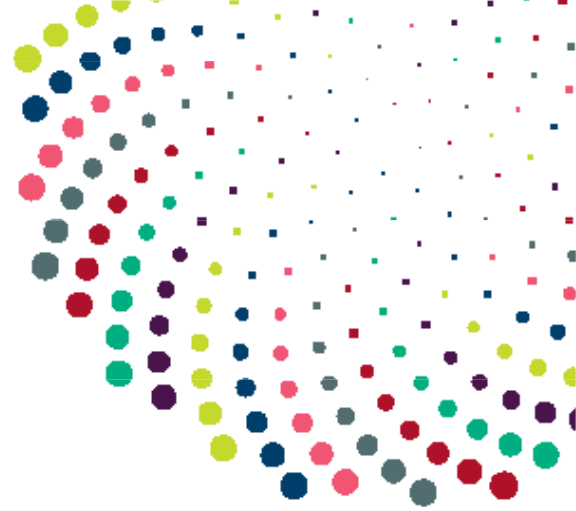
Introduction

The Association of Corporate Treasurers (ACT) is the only professional treasury body with a Royal Charter. We set the global benchmark for treasury excellence and lead the profession through our internationally recognised treasury qualifications, by defining standards and by championing continuing professional development.

● This is the fifth year of our in-depth survey of contemporary treasurers, now titled *The Business of Treasury* – the only international survey of qualified treasurers by a professional treasury association. In our largest survey to date we have spoken with ACT members across the world to gauge their views on where the treasury profession is today.

The findings of the survey deepen our understanding of corporate treasury as a discipline that supports financial and business growth. The research reinforces the ACT's belief in the importance of professional standards and of developing skilled and qualified treasury professionals who contribute to their organisation's success through operational effectiveness and strategic business partnering.

This survey provides an opportunity to look at how treasury is developing, what issues are currently keeping treasurers occupied and what the profession needs to do to demonstrate true strategic value within organisations. Although the core of the survey is based on consistent questions year-on-year, allowing us to build a unique insight into treasurers' opinions over time, we have used this year's research to ask additional questions about the role of treasury, the perception of its place in organisational structures and how its performance is measured. These additional questions reflect widespread board, CEO and CFO concerns about what is happening in financial markets, where and how regulation will impact business growth and what challenges next-generation businesses will face. We have also asked how treasurers feel about their role and how they think it is perceived. We think you'll be intrigued by what they have to say.



Key findings

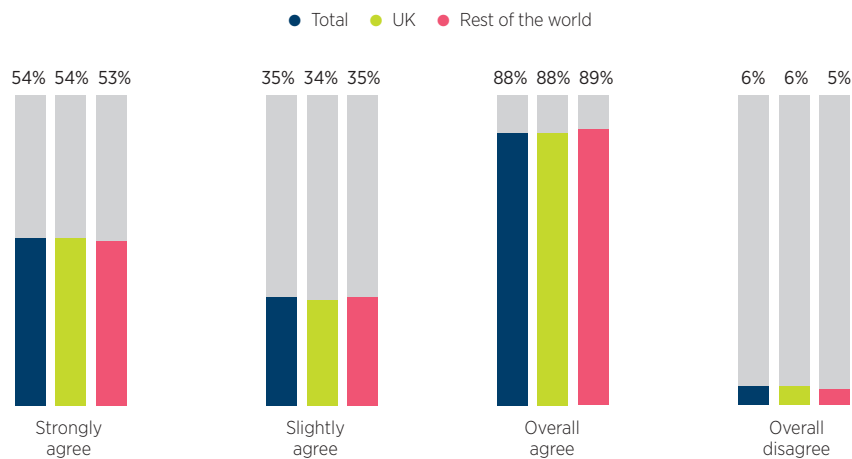
- Treasury has become increasingly strategic with a greater focus on solving wider business challenges beyond their traditional remit.
- Operational treasury management remains core and treasurers are adapting to a changing funding and financial landscape.
- Risk management is a key growth area, with the highest expected increase in activity over the next 12 months.
- Treasury is seen as an increasingly varied and rewarding career with a high level of board exposure.
- Treasurers are cautious when adopting financial technology, although investment in this area is increasing to meet digital opportunities and threats.
- Treasurers are becoming more professionally qualified and are expected to lead their business colleagues. Demonstrating financial value remains a challenge.
- Major corporate concerns are cybersecurity, financial regulation, market volatility and geopolitical uncertainty, including Brexit.

Executive summary

Treasury as strategic business partner

The survey reveals that an overwhelming majority of treasurers globally see the treasury function as a strategic business partner for their organisation. Furthermore, a total of 36% either directly define the organisation's strategy or work in collaboration with colleagues to do so.

Our treasury function is a strategic business partner for our organisation



“ We are involved in the strategic development of the company in many different areas.”

TREASURER, EUROPE

Treasurers spending more time on strategic issues

Our survey provides definitive evidence that not only is treasury seen as a strategic partner, but treasurers themselves are being called upon to deliver strategic solutions. **The time qualified treasurers are spending on strategic issues has risen from 24% in the 2013 survey to 40% in this latest survey, a 60% increase. The average time being spent on operational issues has remained constant at 33% over the same period.**



Treasury critical to solving a wide range of business challenges

The survey highlights not only that treasurers are able to identify a wide range of business challenges – financial and non-financial – but that they are taking a leading or collaborative role in managing those challenges for their organisations. In some areas the lead role is specific (for example, financial market volatility), in others collaborative (for example, cybersecurity for the organisation). The survey clearly demonstrates that the skills of today's treasury professional are about identifying risks to the health of an organisation and then proposing responses to those risks.

Board acceptance of treasury's solutions on an upward trend

Boards accept treasury recommendations more than 80% of the time. This is true in every category across a wide range of funding and finance proposals. **Five-year data for the UK confirm an overall upward trend with acceptances by boards rising from 63% in 2013 to 84% in 2017 – a rise of 33% in five years, further evidence of the critical importance of the treasury function.**



The increasing importance of treasury qualifications

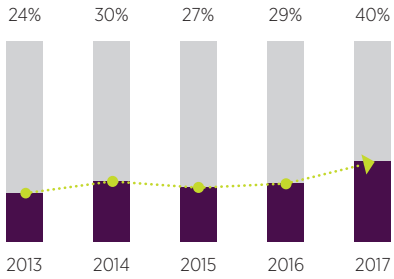
When recruiting, 51% of treasurers look for higher levels of treasury qualifications compared to five years ago. While UK figures reflect the ACT's established position as the leading provider of treasury education, almost all other regions are also reporting substantial increases in the demand for treasury qualifications.

“It [treasury] is a specialist function and needs special training and education.”

TREASURER, EUROPE

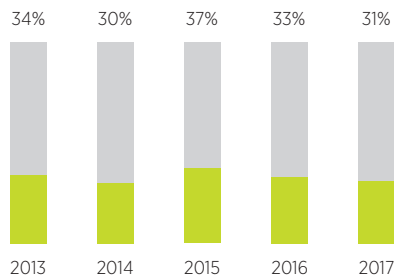
Average % time spent on strategic treasury activity

UK FIVE-YEAR TREND

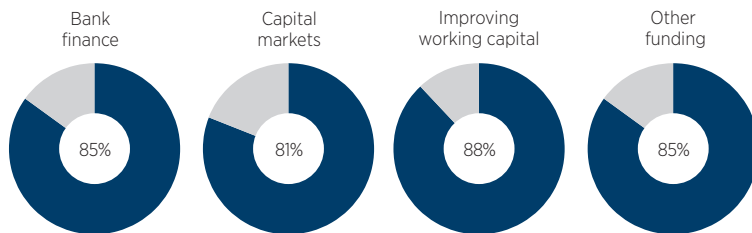


Average % time spent on operational/functional treasury activity

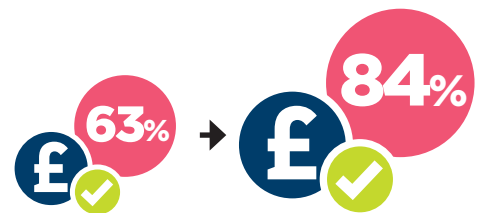
UK FIVE-YEAR TREND



% of treasury recommendations approved by boards

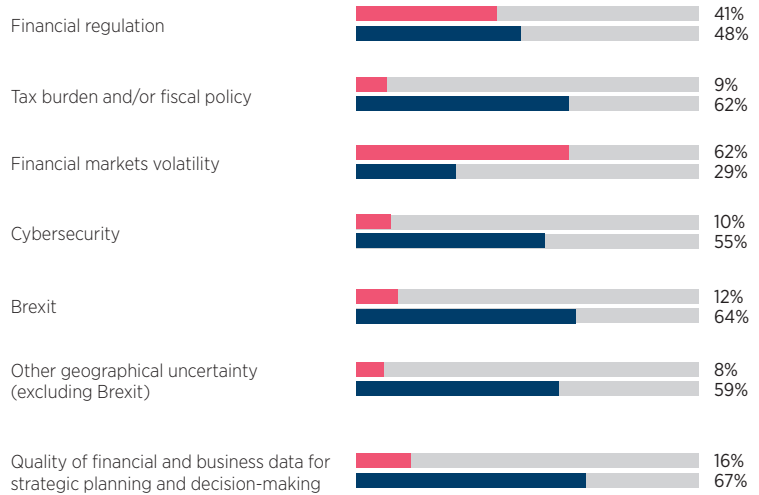


In the UK over five years, funding approvals increased from...

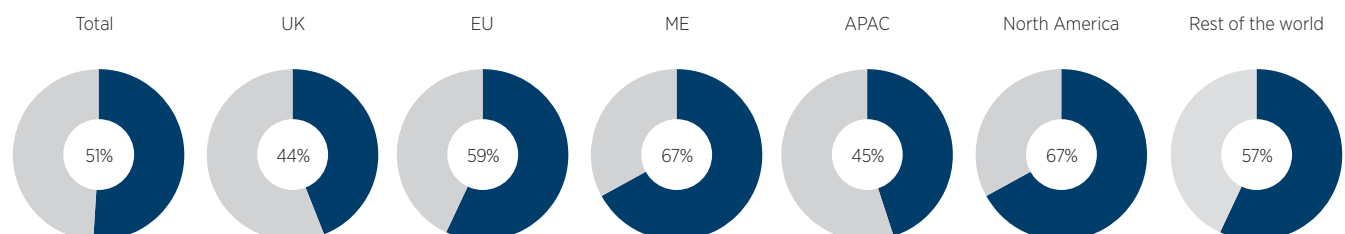


Is treasury helping to address the issue?

- Yes, treasury function is leading addressing the concern
- Yes, treasury function is assisting addressing the concern

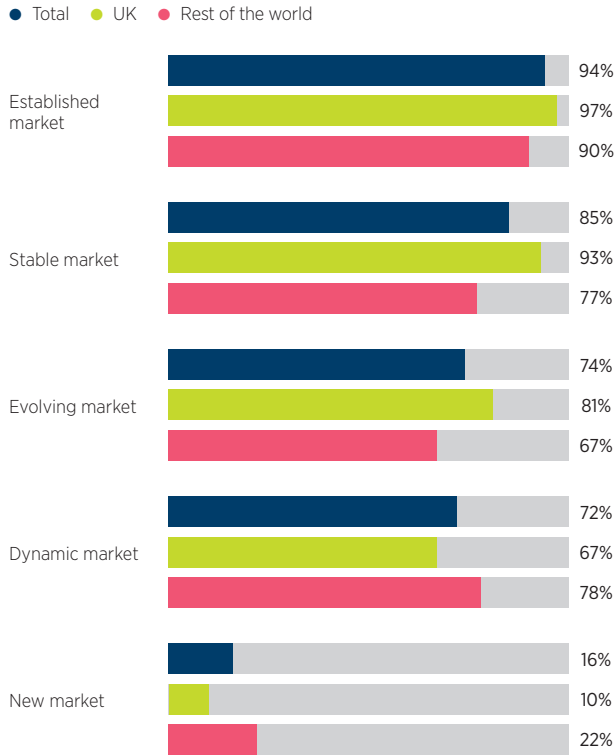


Looking for higher qualifications for treasury recruitment versus five years ago



What does a treasurer look like?

Market characteristics

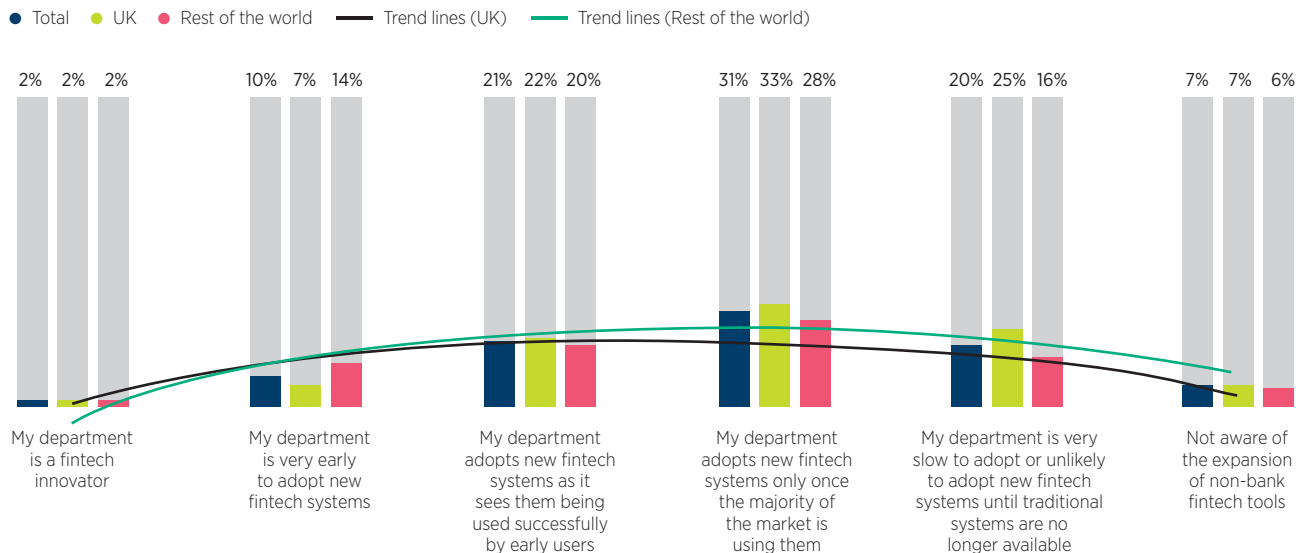


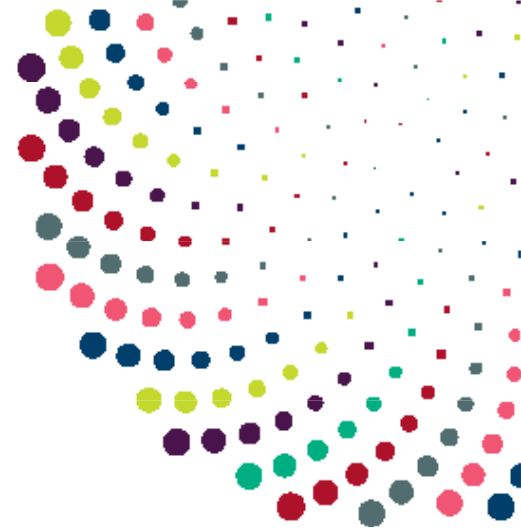
The treasurers in this survey reflect much of what we know already about the profession. It is geographically spread and active in just about every commercial sector as well as within government and third-sector organisations. Treasury exists within organisations up and down the complexity scale. We also know it's a young profession with limited traction in some sectors and business environments. Individuals represented in our sample tend to be senior; more than 50% of our respondents are the treasury leader, CFO or FD.

In addition, these treasurers know what they're talking about: 79% of those leading their treasury teams have more than 10 years of experience. On average, they have more than 12 years of treasury experience and, in the UK, it's almost 16 years. Interestingly, although a large majority report that they work within established or stable markets, some 16% of our survey consider their businesses to be in new sectors or industries, a finding that is partially reflected in some of the definitions we see within responses, such as human health or personal and community services.

Changes in technology have clearly impacted the treasurer's role over the past few years, particularly the pace of those changes. Planned investment in treasury technology is on the rise with 53% looking to increase their spend compared with around 40% last year. However, treasurers generally are cautious in nature, so their enthusiasm to be leaders in technology development and adoption remains curbed; there is more willingness outside the UK, but not by much.

Adoption of fintech





Overall, and increasingly over the years we have carried out the survey, respondents across the board find treasury to be interesting, satisfying and varied. A total of 36% of respondents, up from 28% last year, suffer frustrations in their role largely driven by the impact of financial regulation, such as derivative reporting under EMIR and managing KYC processes.

“ The ACT provides people who are fit for purpose.”

TREASURER, UK

In treasury education terms, compared with five years ago, treasurers are now looking for a higher level of qualifications across geographic regions, organisational size (by turnover) and industry sector and ownership.



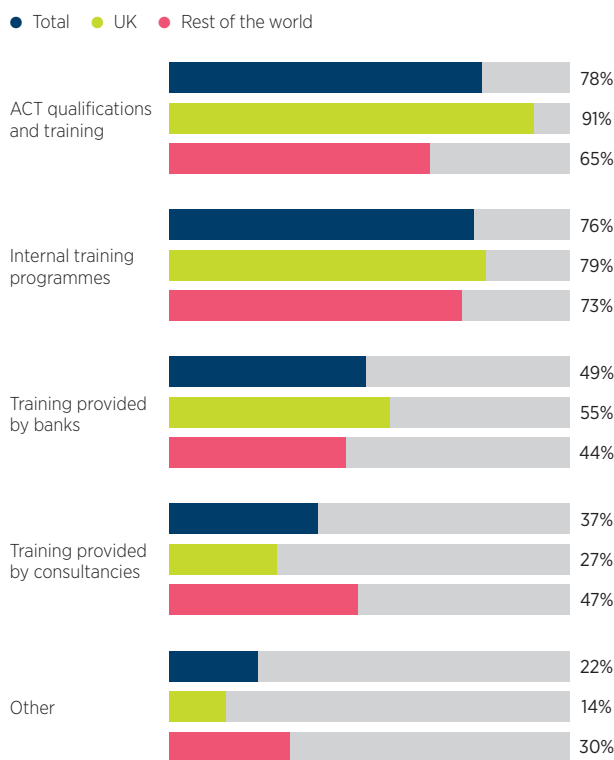
In particular, we see this trend reflected in businesses and organisations in the Middle East and North America, with turnovers of up to £10bn and in the public sector.

In the UK, FTSE and higher complexity organisations generally are most likely to seek out ACT qualifications; on average, just over half of those in the UK respondents' teams have an ACT qualification - roughly twice the level of the rest of the world - however, 70% of the total sample say they actively look for an ACT qualification, or a willingness to study for them, when recruiting.

Conversely, new entrants to treasury (not, by definition, treasury fluent) are still seen as lacking certain non-treasury skills, such as communications and relationship management, and broad business understanding, whether in business operations or strategy.

Treasurers can and do make use of 'free' training from banks, consultancies and others, especially in operational treasury areas. However, the ACT leads the way in helping organisations develop treasury skills and capability to overcome business challenges by providing comprehensive treasury qualifications, focused training and support for career development and continuous professional development. Individuals and employers alike benefit through improved treasury competencies and organisational effectiveness.

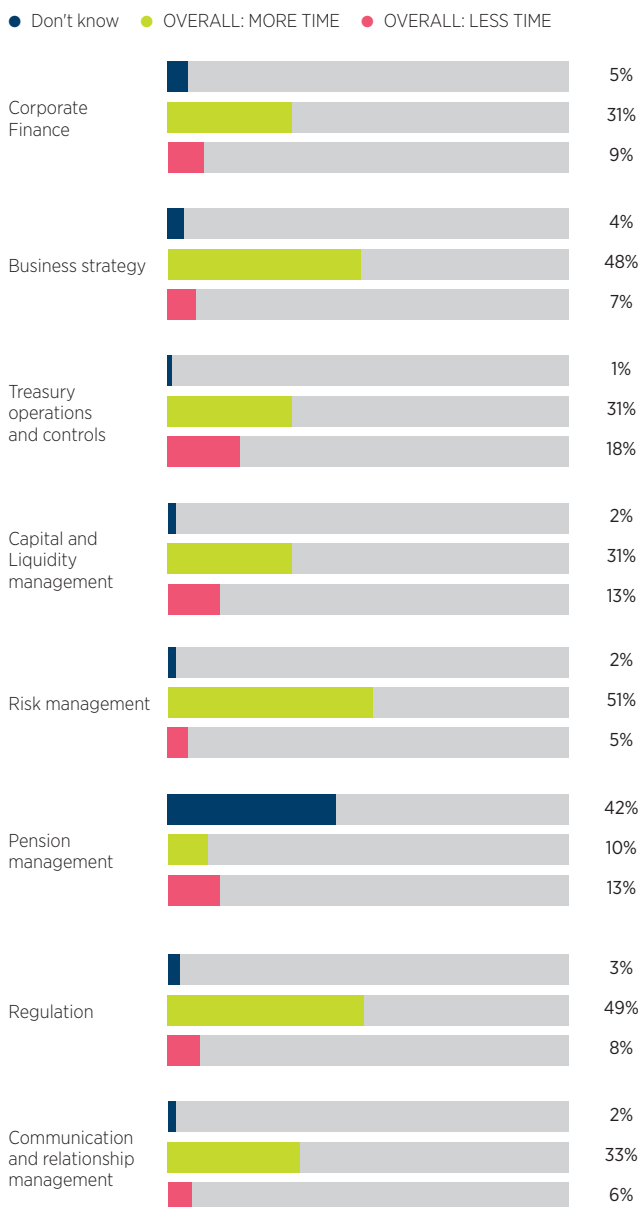
How do new entrants obtain treasury skills?



All in a day's work



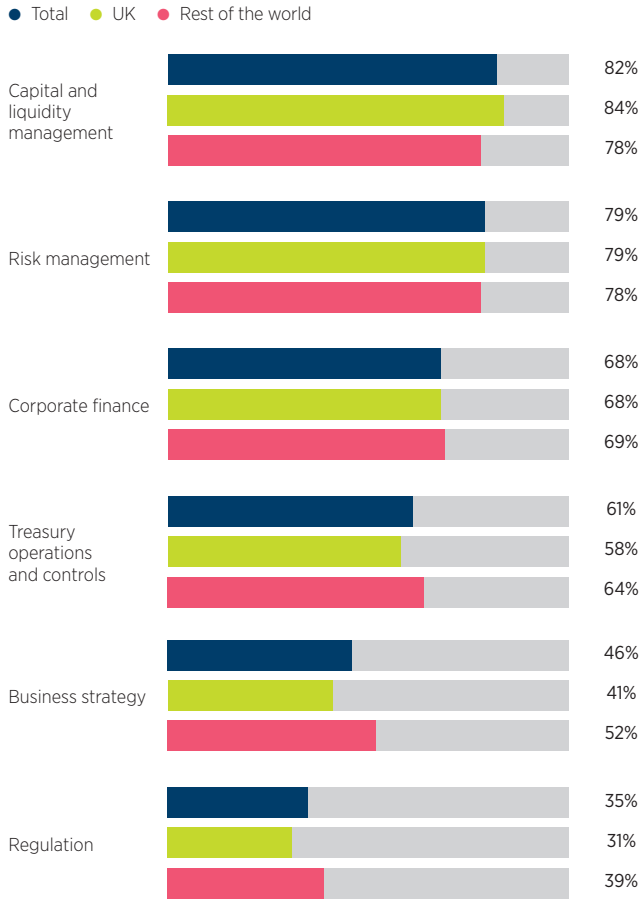
Expected changes in activity in the next year



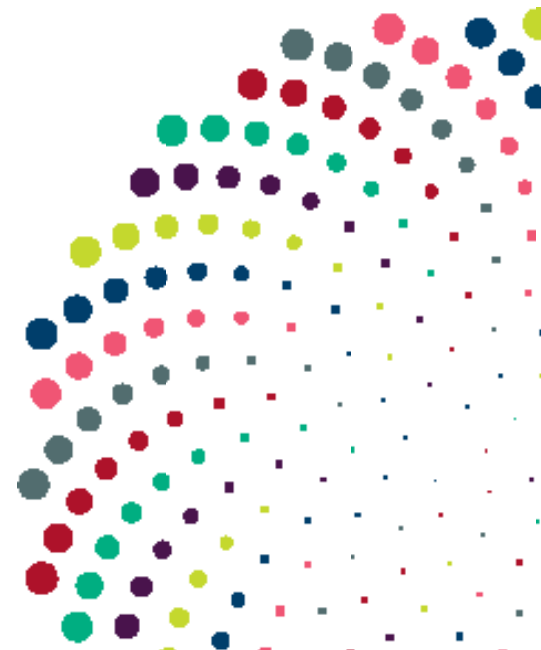
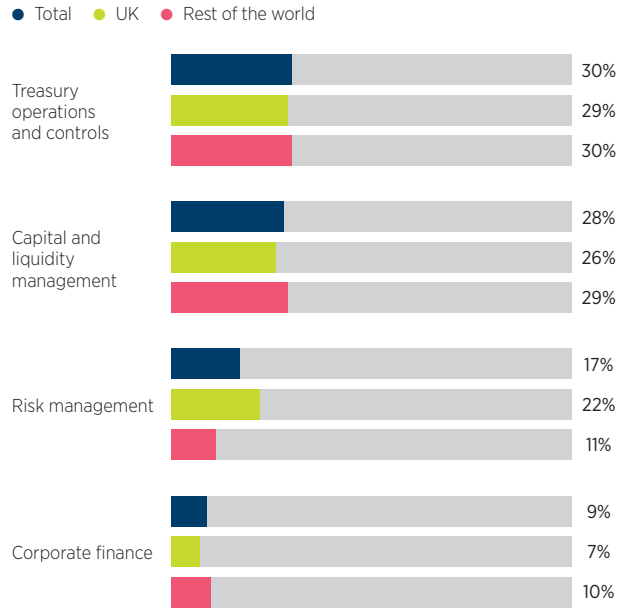
The tasks that make up the treasury day job seems to remain broadly the same year to year, but the numbers hide some subtle differences. From a UK perspective, where we have five-year data, we have seen a significant increase in time spent on risk management. This is also the area predicted to see the biggest growth in the next 12 months, with 51% of respondents expecting to be spending more time on it together with regulation (49%) and business strategy (48%).

When we look at the top six areas reported to boards in the past six months, five clearly fall into a strategic category. Interestingly, there's no material difference between the UK and international figures with limited movement between the categories. Treasurers working in some of the smaller companies in the survey report that risk management has risen in importance in board reporting, at the expense of reporting on treasury operations and controls.

Topics reported to the board in the past six months



Where most time is spent operationally day to day



Issues businesses are concerned about...

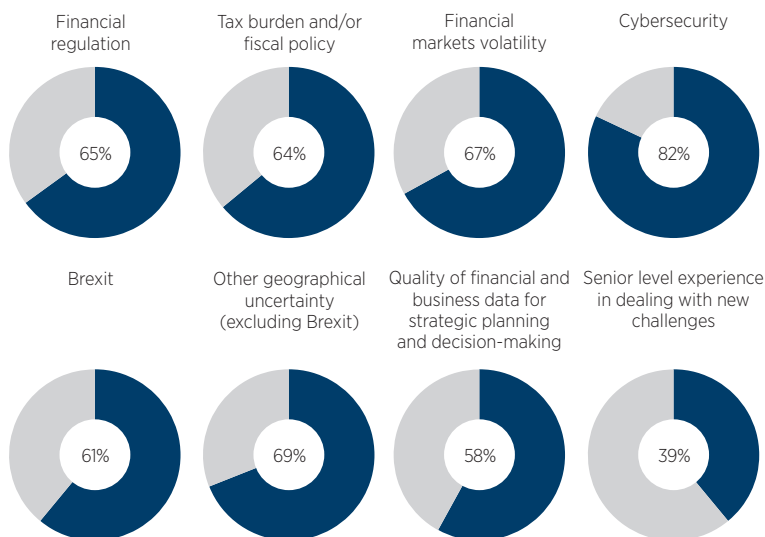
We asked a new question this year about treasurers' interaction with other areas in their businesses. Clearly, this will vary sector to sector, but the general trend is respondents work most frequently with accounting and finance (98%); operations (91%); and governance, compliance and risk (85%). By contrast, they work least frequently with corporate R&D.

It should come as no surprise that treasurers pay attention to the world outside their windows as well as down the corridor. Treasurers are often considered the go-to expert by colleagues when it comes to interpreting the complexities of the modern world. Whether this means reviewing financial regulations, analysing the opportunities in digital banking or looking at new financial markets, we explored this issue by asking how they felt their own organisations responded to external events.

Broadly speaking, two points emerged. Firstly, most felt their organisations were either extremely or very responsive (62% overall), with 33% saying sometimes responsive, sometimes not. What is instructive, however, is which areas respondents were most worried about.

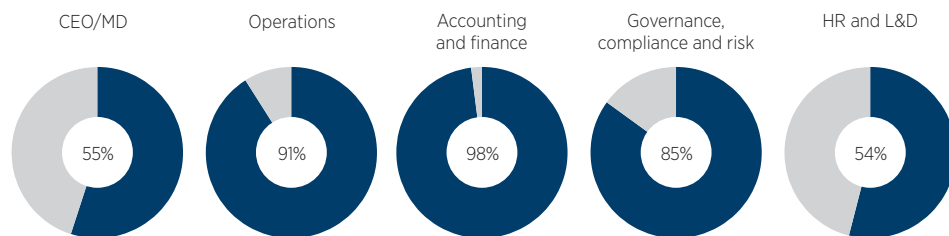
Of most concern was cybersecurity (not specifically treasury-related), with 82% citing this area as their number one concern. Issues such as financial regulation, tax, market volatility and geopolitical uncertainty followed close behind. Intriguingly, non-Brexit-related geopolitical uncertainty was a little higher up the scale than Brexit itself. That was the case in the UK as well as elsewhere in the world.

Internally, a finding that really stood out in our analysis was that 58% of respondents were concerned about the quality of financial and business data available for strategic planning and decision-making. Even more worryingly, more than a third of respondents were concerned about their own organisation's senior-level experience in terms of dealing with new challenges.



There's good news here, though, particularly for younger treasurers looking to develop their influencing skills. While you would expect treasurers to be leading when it comes to responses to financial market volatility (62%) and financial regulation (41%), treasurers are also either leading or working with colleagues in a majority of all the issues raised. For example, 65% are helping to address cybersecurity issues and 83% are engaged in improving the quality of financial and business data for strategic planning and decision-making.

Most frequent contact with business areas – once a month or more



Managing the cost of finance

In general, and in line with previous years, corporates around the world are substantial users of bank finance. Our respondents told us that it accounts for 38% of funding and, together with debt capital markets (31%, including private placements) and equity capital (13%), that's the lion's share of funding at 82%.



In the UK, sources of funding have remained broadly consistent over the past five years, with corporates switching between bank debt and DCM as the market supply and pricing has moved.

The survey revealed a small, but interesting finding: only 6% of our treasurers' companies use supply chain finance or working capital finance sources. This may be because they aren't referring to facilities they offer to their suppliers – and perhaps that's a question for next time – or because bank finance or capital markets remain cost-effective.

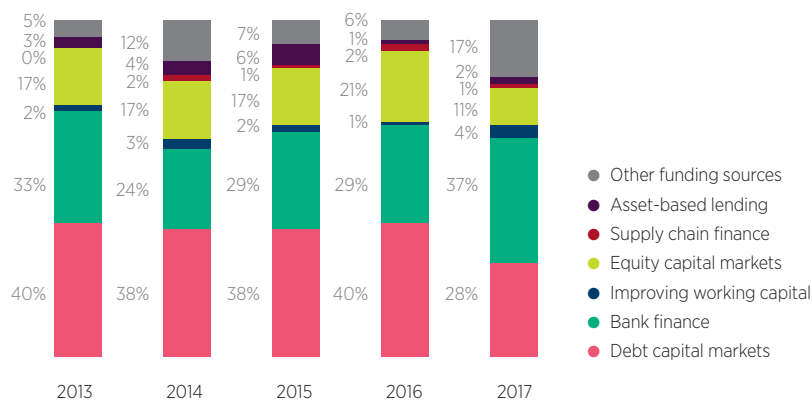
The cost of credit has proved to be almost the single most predictable statistic in the survey year to year. Treasurers always think credit will be more costly for the year ahead, even if that doesn't actually turn out to be the case. This year has been no different: 61% thought it would be more expensive in 2017 compared to a year ago. However, only 38% said that their pessimistic prediction from the previous year had come true. This year's prediction? A total of 76% think it will rise again. Interestingly, those treasurers who work in companies with turnovers above £10bn, and/or with more than 20 years of experience have the highest expectation of increased credit costs over the next year. While the pessimism that comes from experience might be justified, it's curious that treasurers within large, mostly investment-grade companies are so cautious.

Overall, our treasurers said that this rise in credit cost would have at most only a slightly negative effect on their businesses.

“ We will amend our business plan and it will not affect business. ”

EUROPE-BASED TREASURER – WHO CURRENTLY THINKS COST IS SLIGHTLY HIGHER THAN 12 MONTHS AGO – AND THINKS IT WILL INCREASE SLIGHTLY

Funding of UK organisations



At the heart of the business

The ACT has always championed treasurers as trusted advisers to the business on financial matters. Treasury activity, managing money and financial risks, can have a direct impact on financial performance and profits. This can be both day to day while helping develop long-term financial strategy and policies. These should then be a part of the formation of overall business strategy.

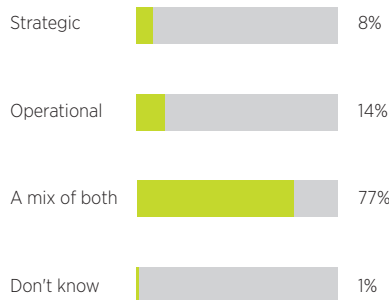
Over the past five years of this survey, we have looked at the ways in which treasurers make a real difference to their businesses by measuring the interactions between treasurers and boards. This year we have looked additionally at the role treasurers play in shaping the strategic direction of their organisations.

As treasurers, we know that funding decisions are a crucial constituent of a financial strategy, which itself contributes to business strategy. So the survey has looked at attitudes and perceptions of where treasury sits. In all, 77% of our treasurers believe that their organisation sees treasury as a mix of both strategic and operational activities. However, the aspiration of our respondents is to drive up the proportion of those seeing treasury as entirely strategic from 8% to 23%, and to drive down those wanting to be seen as solely operational, from 14% to just 2%.

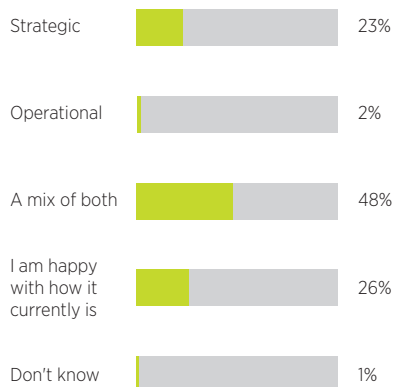
In addition, the survey tells us overall that 88% of our respondents view treasury as a strategic partner for the business, and the same number tells us that a strategic treasury is a key function for their organisations.

But how do we know that this strategic focus is paying off in terms of engagement and delivery?

How is treasury seen by the organisations?

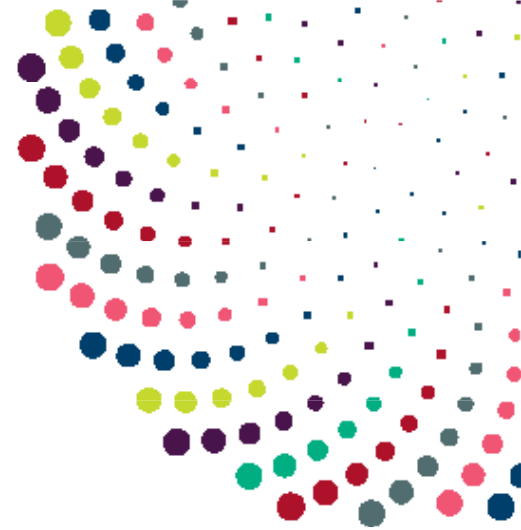


How would treasury like to be seen?



“ We work closely with other departments. It [treasury] is a key piece of the business. ”

TREASURER, ASIA



When we analyse the five-year data from UK treasurers, the trend is definitive: the time qualified treasurers are spending on strategic issues has risen from 24% in the 2013 survey to 40% in this latest survey, a 60% increase. The average time spent on operational issues has remained constant at 31% over the same period.



Across all the various geographies where our respondents work, the mean score of those considering time spent on strategic issues is 40 versus 30 for operational issues. These figures are consistent whether treasurers feel they work in higher or lower complexity organisations.

Earlier we considered the contents of board reports. The key question we need to ask, however, is, how do boards respond to the advice and recommendations made by their treasurers? In respect of funding solutions, the answer is overwhelmingly positive. In board meetings where treasurers recommend capital market, bank finance or private placement ideas, on average, 84% of those proposals are accepted. In all categories, this is a year-on-year increase.

More significantly, for the five-year information we have for the UK, the level of implementation on the part of boards of treasury recommendations on funding solutions has increased over the period from an average of 63% in 2013, to 84% being approved in 2017. This represents an increase in acceptance of 33%.

“The analysis provided by our department and advice given are very important for decision making – treasury is involved in the core business.”

TREASURER, EUROPE

This survey provides clear and consistent evidence that the quality of communication, the levels of trust and the effectiveness of treasurers in strategic financial management are being recognised by boards. What this means for treasurers is simple: there is a role for corporate treasury and treasurers at the highest strategic level within organisations, a role that plays to treasury’s problem-solving strengths.

The ACT believes a real opportunity exists for treasurers who grasp the chance to widen their networks within their organisations by actively engaging with teams outside of finance. Those who do will see rich dividends in terms of the recognition of the role of treasury in providing strategic solutions to wider business challenges.



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