



THE CONTEMPORARY TREASURER 2015

Trends in treasury

ACT

LEADING TREASURY
PROFESSIONALS

ABOUT THE ACT

The Association of Corporate Treasurers (ACT) sets the benchmark for international treasury excellence. As the Chartered body for treasury, we lead the profession through our internationally recognised suite of treasury qualifications, our focus on professional standards, and our interactions with regulators and policymakers globally.

THE ACT PROVIDES A WIDE RANGE OF PROFESSIONAL DEVELOPMENT AND NETWORKING OPPORTUNITIES CENTRED ON:



INTRODUCTION

As a professional body, the ACT has two primary concerns: to advance the interests of its members, students and the wider treasury community; and to enhance the understanding and appreciation of corporate treasury as a discipline in financial and business management.

Corporate treasury is a profession built on the foundation of a number of financial, business and personal disciplines. The ACT defines these as our Competency Framework (see right) and considers them to be the skills and capabilities that treasury professionals need to succeed in today's challenging business environment.

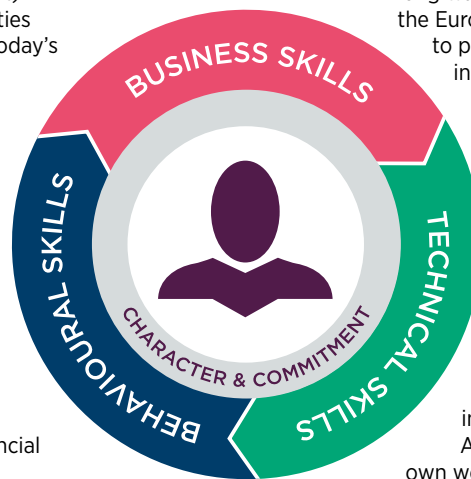
Financial strategy and business strategy together form corporate strategy. Financial strategy depends on business strategy, but business strategy is enabled – or constrained – by the financial strategies available to the individual organisation and by the financial strategy that it chooses. At a strategic level, treasury is about advising on appropriate choices as well as the trade-offs and compromises involved.

For a third year, the ACT has recognised the need for a comprehensive, independent survey of treasurers' attitudes towards the evolving influence of treasury on corporate financial strategy and business growth. We questioned a representative, but random, sample of 143 treasurers – the largest sample we have taken to date – who were mainly, but not exclusively, ACT members and students from non-financial organisations across the UK, continental Europe and the Middle East. Our aim

was to understand what, where and how treasurers are contributing to their organisations.

The results and analysis from this survey will go a long way. They will help the ACT (and, by extension, the European Association of Corporate Treasurers) to provide evidence-based support for our interactions with policymakers, legislators and regulators in the UK, continental Europe and the Middle East. The developed economies now seem to be in danger of contributing to – and even creating – fiscal, regulatory, reporting and behavioural conditions that lead to non-financial corporates either choosing not to actively manage the underlying financial risks inherent in their business and/or trying to find new 'regulation-free' alternatives. Neither of these approaches seems to be an optimal response to the circumstances in which organisations find themselves.

Additionally, this report will help to inform our own work as the only Chartered body for corporate treasury when we provide professional training and deliver professional qualifications. Equally as important, it will allow the treasury profession to speak with authority and integrity on the role that treasurers play in making their organisations successful.



EXECUTIVE SUMMARY

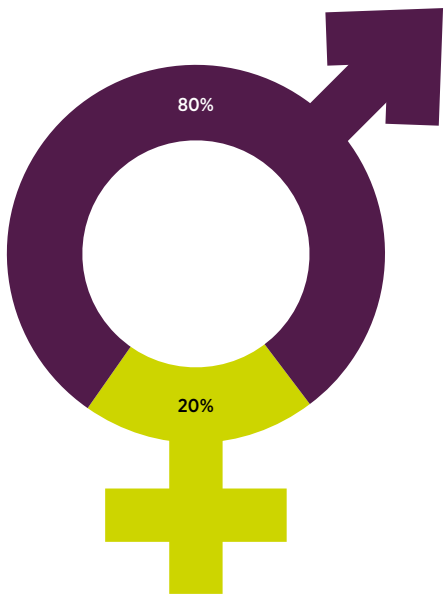
Treasurers' visibility with their boards has improved since last year's survey and more of their recommendations are being accepted. They continue to enjoy their work, feel frustrated by regulation and place great value on ACT qualifications.

What are treasurers telling us in our 2015 survey?

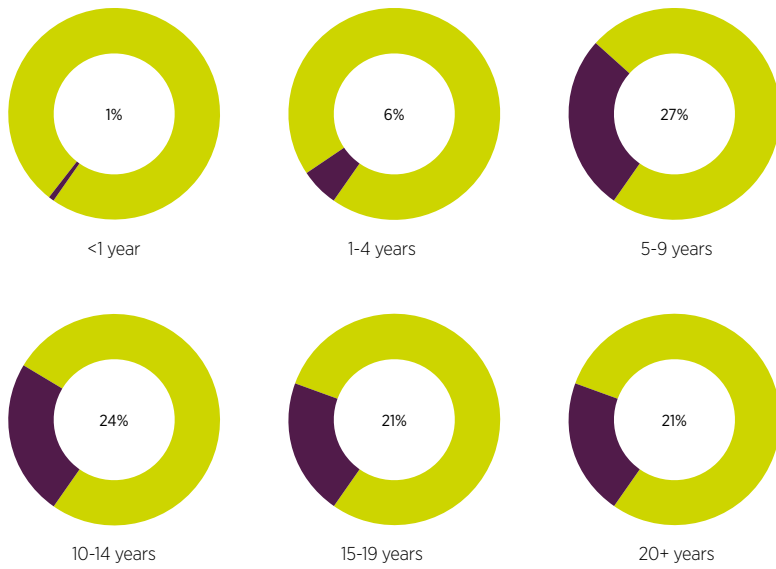
- ◆ Treasurers continue to be satisfied by their work, although senior treasury leaders are feeling a little less satisfied and a little more frustrated than they were a year ago.
- ◆ The three main activities that treasurers engage in are risk management, capital and liquidity management, and business strategy.
- ◆ Year-on-year, treasurers are having greater interaction with their boards and more of their recommendations are being accepted.
- ◆ Nevertheless, almost a fifth (17%) of treasurers are not consulted when their boards are implementing new market strategy, even though they have relevant skills to bear.
- ◆ Bank finance appears to have gained greater prominence within treasurers' funding programmes since last year, reflecting more liquidity in the market.
- ◆ Treasurers continue to be cautious about the cost of credit. They have consistently expected pricing to rise even though it has remained relatively cheap.
- ◆ On average, more than half of treasury team members have an ACT qualification. The majority of treasurers look for individuals with ACT qualifications, or a willingness to gain them, when recruiting.
- ◆ Young treasurers lack important business and influencing skills rather than basic treasury or finance capabilities.
- ◆ Treasurers overwhelmingly feel that financial services regulation has a negative impact on what they do.

Bank finance appears to have gained greater prominence within treasurers' funding programmes since last year, reflecting more liquidity in the market

OVERALL GENDER SPLIT

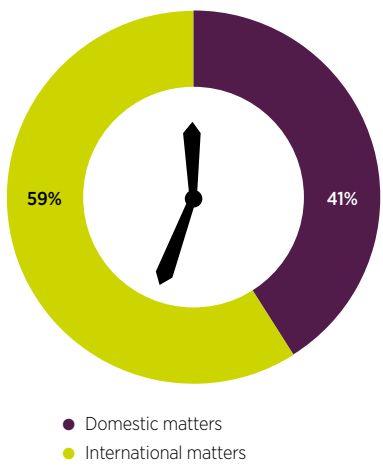


SERVICE YEARS



TREASURY LEADER GENDER SPLIT

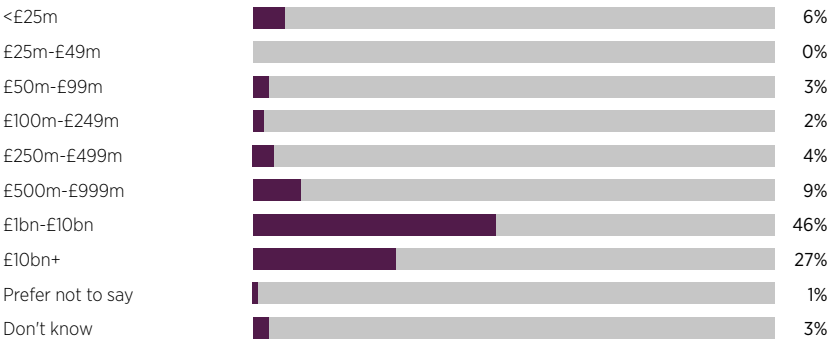
TIME SPENT



WHICH OF THESE BEST DESCRIBES YOUR ROLE IN YOUR BUSINESS?



TURNOVER BAND OF BUSINESSES



TODAY'S TREASURER

The growth and development of the treasury profession is related to how individual treasurers view their own personal and professional development. In this respect, treasurers' feelings about what they do can matter just as much as the level of professional and technical knowledge that they are expected to demonstrate.

On average, the treasurers who participated in this research had almost 14 years of experience in treasury. Meanwhile, more than a third (34%) of participants had a treasury leadership role. This suggests that treasury leadership, and the strategic management expectations associated with it, is only earned after lengthy service. Overall, 93% of participants had more than five years' experience in treasury.

A fifth (20%) of participants in the research were female, which was down on last year's total of 25%. This is not necessarily an accurate reflection of female representation across the profession more broadly, however. As in previous years, women are more likely to be found in more functional or domestically focused treasury roles.

Treasurers continue to be satisfied by their work. Nearly three-quarters (73%) of treasurers said

their roles are more interesting than they were five years ago, while 77% found them more varied. This satisfaction helps to balance out the frustration felt by many treasurers – around half (51%) revealed that their work was similarly frustrating to five years ago, while almost a quarter (24%) found it more frustrating.

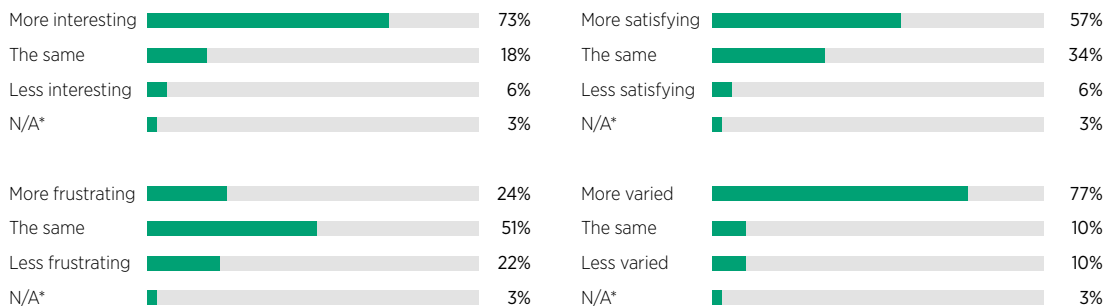
Having said that, those individuals who are leading treasury functions are finding their work a little less interesting and a little more frustrating than they were a year ago. This could be because they don't find the return to relatively stable market conditions as enjoyable as fighting the fires of the financial crisis.

While treasurers do have increasing influence in the boardroom, their role continues to be more functional than strategic. On average, they spend around 26% of their time on strategic matters and 35% on functional ones.

Treasurers usually feel confident that their own organisations are able to respond more effectively to external events than their competitors. That is a nuanced picture, however. In the UK, confidence levels are similar to a year ago, but down from 2013. Continental European treasurers are less confident than UK treasurers, which is probably a reflection of the ongoing uncertainty in the eurozone.

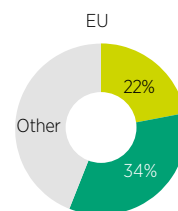
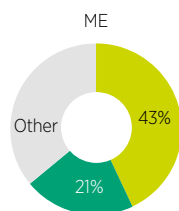
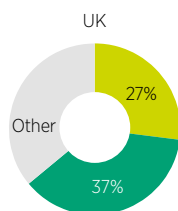
THE NATURE OF THE TREASURER'S ROLE COMPARED WITH FIVE YEARS AGO

*Not working in the business for that long



ROLES ARE MORE FUNCTIONAL THAN STRATEGIC

● Strategic ● Functional



THE WORKING DAY

In general, treasurers are working on the same clusters of treasury activities as they did in previous years. Their three main activities are risk management, capital and liquidity management, and business strategy (which is similar to corporate finance activity for continental European treasurers). This varies little irrespective of business type, respondent profile or experience, although more senior treasurers will take a more strategic view on each of these areas compared with more junior staff.

Nevertheless, our research found that treasurers were spending considerably more time on these three activities than they were a year ago. In contrast, they were not spending much additional time on treasury operations or pension management – indeed, continental European and Middle Eastern treasurers reported spending less time on treasury operations than a year ago.

The research found that by 2016, treasurers expect capital and liquidity management to take up most of their time (cited by 27%). In the UK, treasury operations are expected to come a close second, having been named by 26% of treasurers.

Treasury teams still appear to have resource limitations. Overall, 65% of treasurers are planning to keep their team at its current size this year, with just 23% planning to grow them. Overseas treasuries are more likely to be recruiting than their UK counterparts.

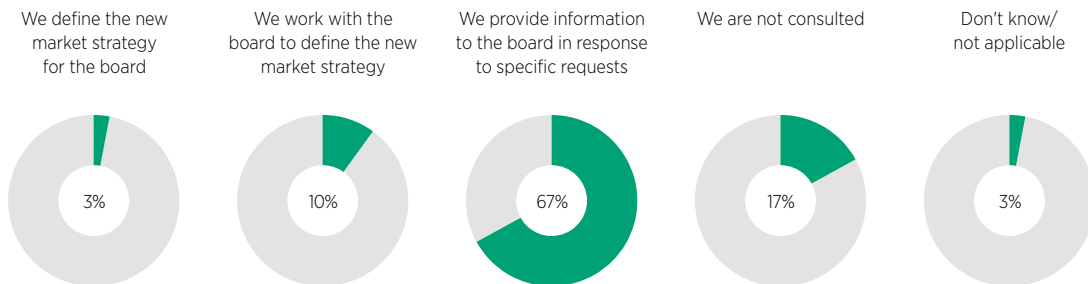
One area where we feel there is a lost opportunity for treasurers to show their capabilities, and for boards

DAY-TO-DAY ACTIVITY (COMPARED WITH ONE YEAR AGO)



to draw on accumulated skills and experience, is in creating and implementing new market strategy. While more than two-thirds (67%) are asked to provide information in response to board requests relating to new market strategy, nearly a fifth (17%) of treasurers are not consulted at all. To us, this seems to be a waste of talent. We believe the majority of organisations should look to follow the example of those boards that do actively work with their treasurers to define the new market strategy (10%).

INVOLVEMENT IN NEW MARKET STRATEGY



One area where we feel there is a lost opportunity for treasurers to show their capabilities, and for boards to draw on accumulated skills and experience, is in creating and implementing new market strategy

INTERACTION WITH THE BOARD

Treasurers' visibility with their boards appears to be improving all the time, based on our survey findings over the past three years. Compared with last year, it has increased for treasurers across continental Europe and the UK (including both FTSE and non-FTSE companies). For non-FTSE companies, the visibility of treasury has steadily improved since 2013.

Reporting is the main area in which treasurers interact with their boards. Given that most treasury teams are focused on capital and liquidity management and risk management, it is not surprising that these are the topics on which they most commonly report to the board. Overall, 85% report on capital and liquidity management, with 83% reporting on risk management. Corporate finance is the third most commonly reported topic, included in the board reports of 70% of treasurers. It is more commonly addressed by treasurers based in continental Europe rather than in the UK, however.

Bank finance is the funding area in which treasurers most often advise the board and the percentage of treasurers who make recommendations on this topic has grown from 70% in 2014 to 76% in 2015. This may reflect a loosening of liquidity in the bank markets used by the larger companies represented in the survey.

While raising funding through the debt capital markets still appears to be high on the corporate agenda, a smaller proportion of treasurers are advising on them this year compared with last (59% in 2015, compared with 66% in 2014). There has been a notable increase in boards asking for advice on improving

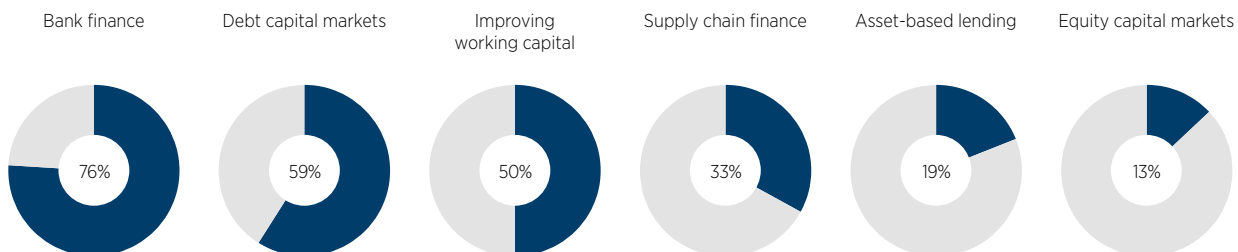
TOPICS FOR BOARD REPORTS



working capital (advised on by 50% of treasurers in 2015, compared with 40% in 2014) and supply chain finance (advised on by 33% in 2015, compared with 25% in 2014).

It is interesting to note that, while boards are asking for advice from treasurers on funding matters, risk rather than corporate finance is prioritised from a reporting perspective. This suggests that boards expect treasurers to manage risk – or at least financial risk – as part of their job. We believe this to be a vote of confidence in treasurers and their skills.

ADVICE GIVEN TO BOARDS (BY BUSINESS PROFILE)



The good news for treasurers is that boards both pay attention and increasingly act on the treasury advice they are given. The average net take-up of the advice offered by treasurers has increased from +51 to +64 (+65 for UK treasurers).

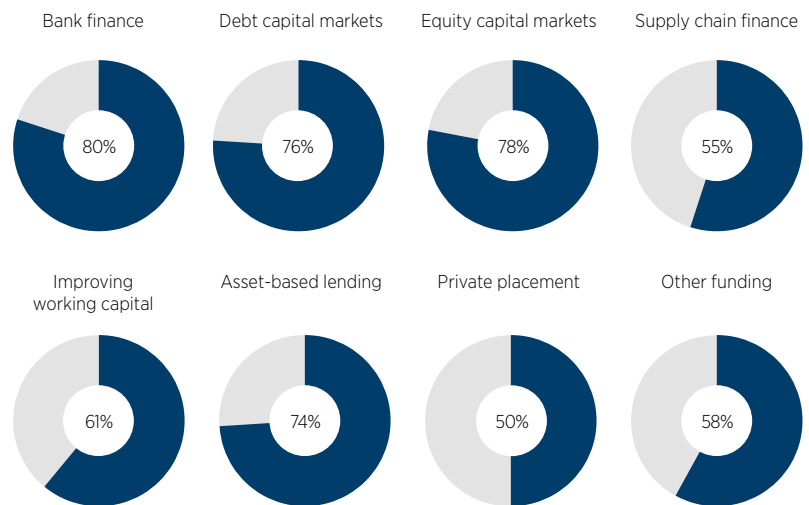
So, if treasurers are talking to their boards about funding options, what does that say about the funding that they have? Unsurprisingly, for the public UK companies, debt capital markets are more prominent than any other funding type. On average, the debt capital markets are the source for 42.8% of their funding. This is less the case for companies in continental Europe and the Middle East, which rely more heavily on banks. On average, bank finance makes up 32.6% of their funding.

For smaller and non-public companies, bank finance still rules the roost, indicating that banks have made a return to the 'mid-market'. Other work by the ACT suggests that it's too early to measure the impacts of Basel III on bank behaviour. But the fact that nearly a third (30.22%) of overall funding consists of bank finance suggests that banks are attempting to hold market share in markets where they can.

One area where treasurers are clearly living up to their cautious reputation is in their ability to predict the relative cost of credit. For three consecutive years, they have expected credit to become more expensive over the coming 12 months and for three consecutive years, they have been wrong. Those leading the treasury function have been least optimistic.

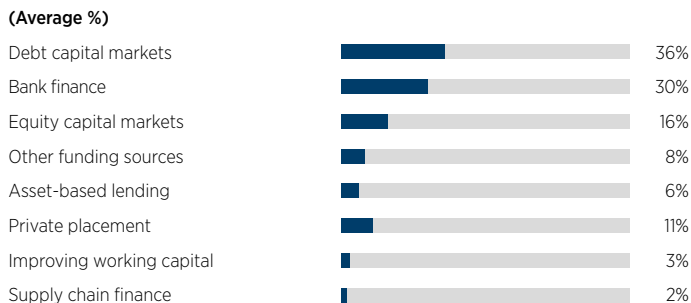
So far in this survey we haven't asked about the interaction between treasurers and other stakeholders,

DID YOUR BOARD TAKE FORWARD YOUR RECOMMENDATION ON...?



in particular, debt and equity investors. In our 2016 survey, we will explore the demands that these stakeholders make on treasury and how they influence treasurers' funding strategies and capital structure planning.

ROUGHLY WHAT PROPORTION OF YOUR ORGANISATION'S FUNDING IS CURRENTLY FROM THE FOLLOWING FUNDING SOURCES?



The good news for treasurers is that boards both pay attention and increasingly act on the treasury advice they are given

FUTURE OF TREASURY

As in previous years, we asked our survey participants questions about a range of topical issues, including regulation of the financial services industry, cash balances, investment in technology and the development of treasury teams.

Interestingly, the view on financial services regulation remains overwhelmingly negative – although there is evidence that treasurers have resigned acceptance of their lot. Just 9% saw any positives at all in financial regulation.

Participants were concerned by the workload that the European Market Infrastructure Regulation (EMIR), in particular, had brought. One treasurer said: “We are a very small and simple organisation. EMIR paperwork is an administrative burden on us.” Another commented: “It takes more energy and more resources to make sure we are in compliance with no real actual benefit.”

It remains a disappointment to the ACT that regulators have still not addressed our overall concerns about non-financial corporates becoming needlessly trapped in the web of regulation.

Cash balances are an ongoing issue. The results from this survey bear out previous work by the ACT, including our *Corporate Cash and Liquid Investments* report, based on a survey undertaken in July and August 2014*. Treasurers appear to be keeping higher levels of cash than they have in the past, but 45% are prepared to

use some of their balances to support sensible corporate growth.

More than half (55%) of UK treasurers have an ACT qualification, as do nearly a third (30.7%) of continental European treasurers. When they are hiring new team members, the majority of treasurers seek out individuals who already have an ACT qualification or are willing to study for one. As one participant commented: “We value the qualification because of the scope of the studying involved and the knowledge and tools it brings.”

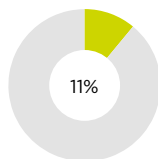
According to our research, the three skills that young treasurers are most likely to lack are not basic treasury or finance skills. Instead, they fall short in terms of understanding wider business management, ‘softer’ skills such as presentation and influencing, and an appreciation of business governance. The ACT recognises the importance of these skills, which is why we have included them in our Competency Framework (see page 3). We expect that doing this will reinforce the status and position of ACT qualifications as the premier global treasury standard.

Almost all treasurers plan to invest in technology over the coming 12 months. They either plan to increase their investment further or keep it at current levels. Within the UK, listed companies are more likely to step up their investment compared with their non-listed counterparts.

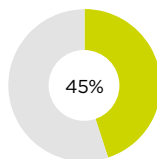
*<http://tinyurl.com/pld27lh>

WHAT WILL HAPPEN TO HIGHER CASH BALANCES?

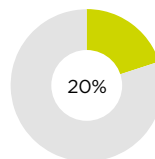
We will continue to hold higher cash balances as a defensive position



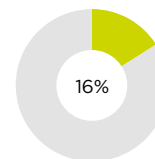
We will continue to hold higher cash balances, but are willing to use them to develop the business



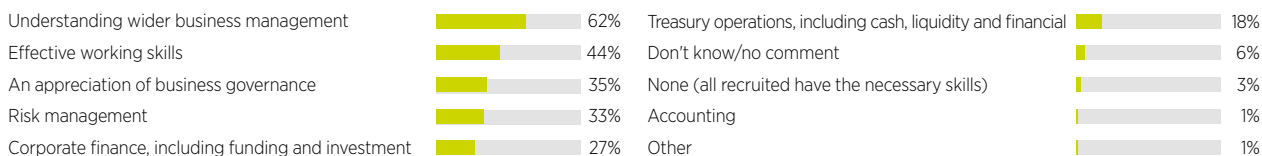
We intend to reduce our cash balances back to the position of a year ago



We intend to reduce our cash balances to below the position of a year ago



YOUNG TREASURERS' SKILLS SHORTFALL



METHODOLOGY

The findings in this report represent a tracking study, repeated annually, that examines the role of the treasurer and the influence of treasurers on corporate strategy.

A professional research firm conducted telephone interviews with 143 treasurers randomly selected from the ACT's membership and relationship lists in the UK, continental Europe and the Middle East.

The interviews took place between early January and mid-February 2015.

The sample comprises treasurers working for the following types of organisation:

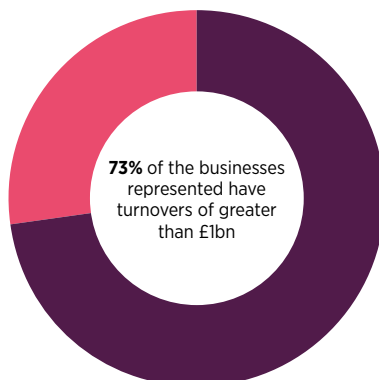
- **85% from publicly listed organisations**
- **15% from non-publicly listed organisations**

Seventy-three per cent of the businesses represented have turnovers of greater than £1bn.

REPORT PARTICIPANTS



>£1bn TURNOVER



RECORD NUMBER OF PARTICIPANTS



143 treasurers were randomly selected from the ACT's membership and relationship lists in the UK, continental Europe and the Middle East

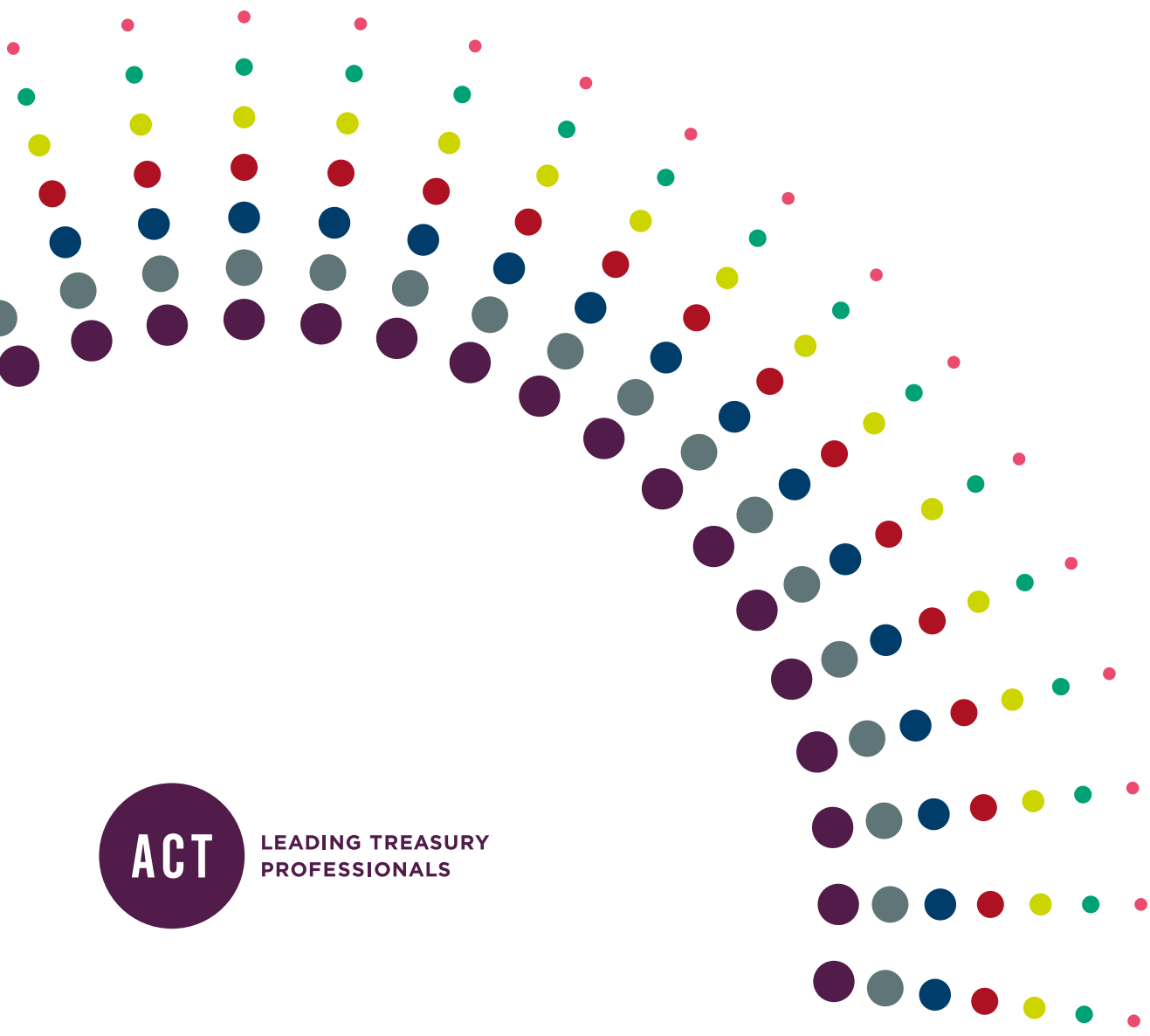
CONTACT DETAILS

The Association of
Corporate Treasurers
51 Moorgate
London
EC2R 6BH

Main switchboard

T: +44 (0)20 7847 2540
(GMT 0900-1730 weekdays)
F: +44 (0)20 7374 8744
E: enquiries@treasurers.org
W: www.treasurers.org

A body incorporated in
England by Royal Charter



LEADING TREASURY
PROFESSIONALS