A SENSE OF BELONGING
Caroline Stockmann on the ACT's Diversity and Inclusion Calendar

ANGER MANAGEMENT
Authentic anger can help us solve problems – but it gets a bad rap

GREEN FINANCING
The Co-operative Group on issuing its first sustainable bond

The Treasurer

THE MAGAZINE OF THE ASSOCIATION OF CORPORATE TREASURERS ◆ OCTOBER/NOVEMBER 2019

SPECIAL EDITION

FUTURE LEADERS

Young treasury professionals on building knowledge and making a difference

PLUS

ALL THE WINNERS FROM THE ACT MIDDLE EAST TREASURY AWARDS

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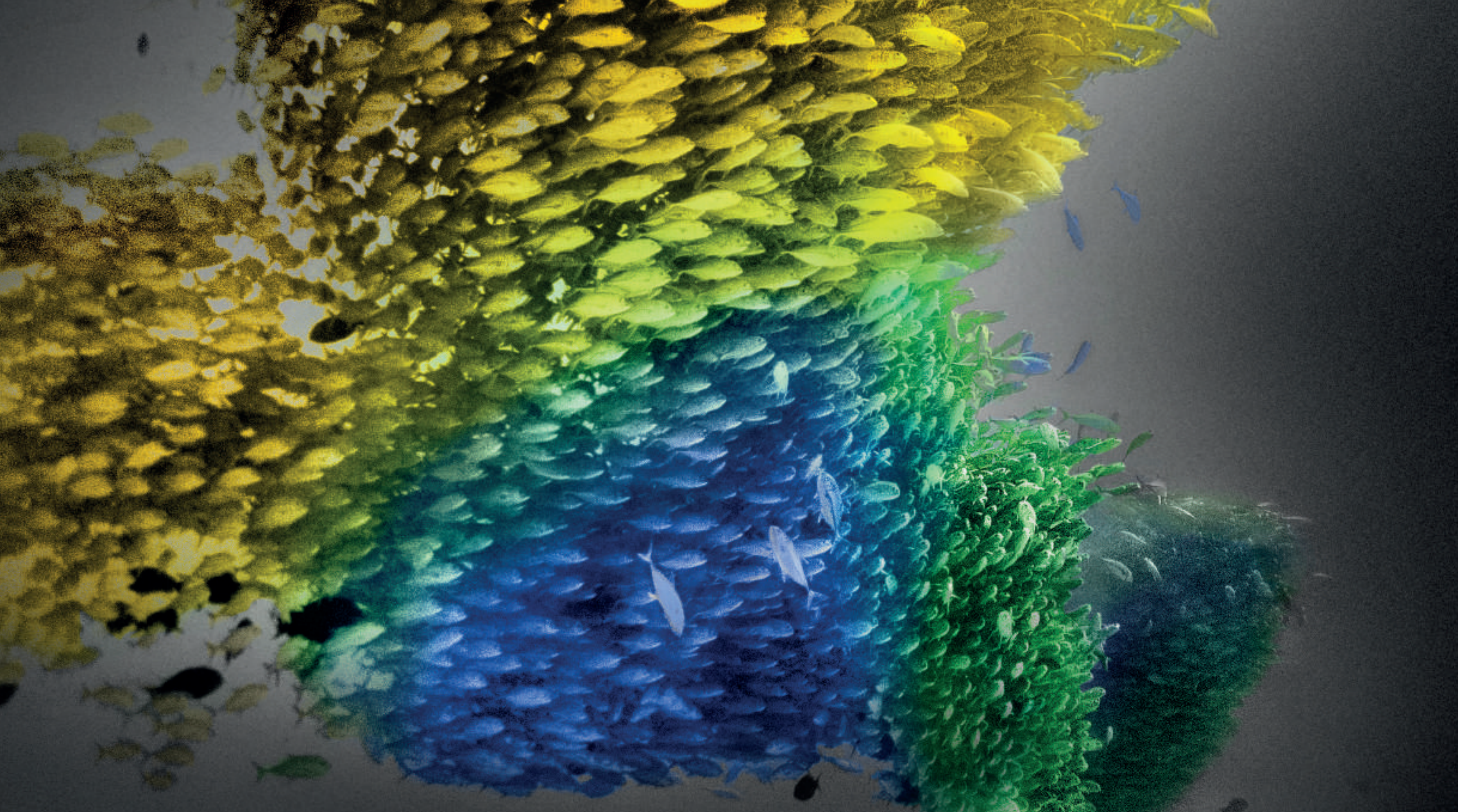

CELEBRATING 40 YEARS OF ENGAGING TREASURERS

EDITOR'S LETTER

Welcome to another special edition of *The Treasurer*, edited by The Association of Corporate Treasurers' (ACT's) Future Leaders in Treasury group (FLiT).

Chaired by Emilie Helps, who writes for us in this edition, FLiT's mission is to support the younger generation of treasurers as they develop their careers and seek to build knowledge and experience in treasury functions wherever they might be in the world. For the third year running, we've asked the group to guide us on the issues they want to see explored within *The Treasurer*. On page 18, four FLiT treasurers talk us through their working lives and confirm – if confirmation were needed – that treasury really is the career for those finance professionals who want to make a difference to their organisations. On page 16, Helps explains FLiT's mission and explores the ways in which the group seeks to support members – not least by helping to connect them to the resources that the ACT provides. Of course, it is a two-way street. As she confirms, part of the group's function is to feed back to the ACT on the realities of today's workplace as they affect younger professionals.

On page 17, Eugene Banja, treasurer at the African Guarantee Fund, explores how mobile innovation is helping businesses overcome the technology gap and bringing businesses, financiers and customers together. Elsewhere in this special edition, ACT chief executive Caroline Stockmann elaborates on the learnings and achievements yielded by the Association's own Diversity and Inclusion Calendar – this appears on page 22. And on page 26, the Co-operative Group relays to journalist Rebecca Brace how Brexit nearly derailed its green bond issuance, when Theresa May's deal proposals were rejected by MPs at the end of last year. Nearly 12 months later, and her successor has fared little better in the Brexit versus Parliament wrangling.

In *The Treasurer*, we always seek to applaud the achievements of treasurers. In this edition, we are happy to provide a round-up of the winners at this year's ACT Middle East Treasury Awards. You can find our coverage beginning on page 10.

I hope you enjoy the issue.

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Follow us on Twitter @thetreasurermag

THIS ISSUE'S CONTRIBUTORS

STEFAN KARENFORT, CFO at Yusen Logistics Germany, has more than 15 years of corporate finance experience in Germany, Hong Kong, Singapore and the US. As well as a degree in business administration, he has a doctorate from the University of South Australia for his research in the field of M&A. His article on automating FX hedging is on **page 36**

DAVID TILSTON has been a council member of the ACT and has wide experience of the role of CFO, including at one private equity-backed entity. He has been a group treasurer for three listed companies and writes for this edition about the strong foundations that treasury qualifications and experience provide at non-executive level. You can find this on **page 40**

TERESA BOUGHEY is a diversity and inclusivity specialist with more than 25 years' experience working with executive boards. She is an author, keynote speaker and a UK Female Entrepreneur Ambassador. A business board member of two All-Party Parliamentary Groups, her article on how to promote an inclusive culture appears on **page 44**

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THE EUROPEAN ASSOCIATION OF CORPORATE TREASURERS

CONTENTS

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Agenda

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TREASURERS TO PREPARE FOR INSTANT PAYMENTS ERA

Corporate treasurers must prepare themselves for a coming shift in their banks' payment systems preferences, according to a new report from the Euro Banking Association (EBA – not to be confused with regulator the European Banking Authority).

The report stated that, while there has so far been only limited adoption of instant payments for business-to-business (B2B) transactions – largely because of current transaction-amount limits – the raising or abolition of those thresholds could spark an increase in instant B2B payments. Corporates, it argues, are only likely to opt for instant payments if they already follow a 'just-in-time' business model. However, it is likely that in time, payment service providers – including banks – will migrate clients from batch-based, automated clearing house payments to instant payments: a move that will force treasurers to re-evaluate their forecasting processes and operating procedures.

At that point, the report notes, "banks will be faced with twin dilemmas: how to ensure they provide sufficient liquidity to instant payments services to ensure time-sensitive payments are processed instantly (especially outside normal banking hours) and how to manage their own intraday liquidity to the satisfaction of their shareholders and regulators". With that in mind, the report concludes, both sides of the ecosystem stand to gain by cooperating with each other and sharing information, enabling banks and corporates alike to improve their use of intraday liquidity.

EBA members can download the full report, *Impact of Instant Payment and Intraday Liquidity on the Corporate Liquidity Management Ecosystem*, from abe-eba.eu/publications

IIF FLAGS UP GREEN BOND CHALLENGES

Despite robust growth in the sustainable debt market, constraints on the mainstream acceptance of green bonds persist, a report from the Institute of International Finance (IIF) has found. In the report last month, the association noted that sustainable debt issuance was on track to hit a record $350bn in 2019: 30% up on last year. However, a lack of liquidity and issuer diversification – particularly among pension funds – and the absence of broadly referenced green bond standards for investors remain problematic.

"Another challenge," the report said, "is concern about potential 'greenwashing' (misleading marketing or labelling that suggests a product, service or company is 'green' when it may not be)." Elimination of greenwashing, it adds, is one factor driving efforts by the EU and other stakeholders to develop an official taxonomy for sustainable activities.

FUNDING ACCESS IS PRIORITY

More than four-fifths of corporate treasurers have cited improved access to funding as their top priority for the current business climate. In a Finastra/IDC poll of 400 treasurers, 84% said that boosting their ability to source finance was their number one goal, with predicting and managing risk (57%) and improving staff productivity (53%) coming second and third respectively. However, looking ahead to 2022, the picture changes, with real-time data and payments emerging as the most desired advantages (59%).

Finastra senior vice president and general manager for corporate banking Torsten Pull said: "Application programming interfaces and cloud-based solutions will be critical if banks are to deliver on the changing requirements outlined by corporate treasurers. Open banking and evolving treasury technologies are transforming the corporate sector, forcing financial service providers to evaluate the role they want to play in the digital ecosystem."

NUMBERS

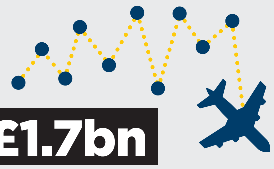
$20bn
a package of corporate tax cuts announced in India aimed at reviving flagging growth

4%
the annual rate of UK wage growth in the three months to July – the fastest pace since 2008

¥80bn
the cost of Beijing Daxing International airport, set to handle 45 million passengers a year by 2021

€54bn
the extent of measures proposed by German chancellor Angela Merkel aimed at tackling carbon emissions

5.7m
barrels a day – the output halted at Saudi Arabia's state oil company, Saudi Aramco, caused by the September attacks



£1.7bn
the level of debt amassed by Thomas Cook before its collapse and the UK's biggest postwar repatriation

WHAT THEY SAID...

What do you say?
Tweet us **@thetreasurermag**

After a meeting between Irish Taoiseach Leo Varadkar and UK prime minister Boris Johnson in October, Number 10 issued a joint statement, suggesting:

"Both continue to believe that a deal is in everybody's interest. They agreed that they could see a pathway to a possible deal"

IN THE NEWS...

DRAGHI MOVES TO PEP UP EUROZONE

Outgoing European Central Bank (ECB) president Mario Draghi unveiled a set of bold monetary policy initiatives on 12 September, with the aim of reinvigorating the eurozone's growth. As well as slashing the ECB's benchmark rate by 10 basis points to -0.5% – its lowest-ever level – Draghi announced a restart of the Bank's asset purchase programme (APP) from 1 November, at a monthly pace of €20bn.

The ECB's Governing Council says that this new phase of the APP will continue "for as long as necessary". One potential outcome of the move is that governments that decide to sell off bonds under the scheme could dedicate the proceeds to large-scale infrastructure projects.

Mario Draghi

LSEG SPURNS HKEX TAKEOVER BID – FOR NOW

The London Stock Exchange Group (LSEG) has rebuffed a proposed $37bn buyout approach from Hong Kong Exchanges and Clearing Limited (HKEX). In a blunt, 13 September letter to top HKEX officials, LSEG chairman Don Robert tore into the proposal, stating that it failed to meet his organisation's strategic objectives and that the offered sum "falls substantially short of an appropriate valuation for a takeover".

He also cited the "ongoing situation in Hong Kong" – referring to recent protests – as an "unattractive" factor. However, speaking to Bloomberg Television, former HKEX chair Ron Arculli hinted that current incumbent Charles Li would press on, saying: "He knows how to navigate his way around the regulatory circles – and, indeed, the financial circles – in London."

New York Stock Exchange

FED POUNCES ON REPOS TO STABILISE MARKETS

In its first such move since 2008, the Federal Reserve has injected hundreds of billions of dollars into the US financial markets. From 17 to 20 September, the Fed ploughed $278bn into repo purchases – then announced it would offer "three 14-day term repo operations for an aggregate amount of at least $30bn each". Analysts cited two key factors behind the moves: pressure on corporate cash from a tax deadline, and an impending due date for making payments on government bonds.

In a research note, the Bank of America said: "For all intents and purposes, this will be equivalent to quantitative easing, with scheduled purchases of securities. We estimate that over the first year, the Fed would need to buy roughly $400bn of Treasury securities to achieve an appropriate level of reserves, plus a buffer."

FIVE MINUTES ON...

THE PAN-EUROPEAN R2P NETWORK

Development has begun on an ambitious, pan-European request-to-pay (R2P) infrastructure, according to industry specialist EBA CLEARING. In an 18 September statement, the firm, owned by 49 of the biggest banks working in Europe, revealed it has obtained support and funding for the new network from 26 payment service providers (PSPs) in 11 different countries, with an aim to go live in the second half of 2020.

EBA CLEARING says the additional context provided by R2P will aid transparency and controls around payment execution and smooth end-to-end processing and reconciliation. "By standardising and automating data exchange, R2P also increases convenience for all parties. These tangible benefits in terms of certainty, transparency and convenience make R2P a highly attractive proposition for both corporate and retail customers," said the authors of a white paper that accompanied the announcement.

EBA CLEARING CEO Hays Littlejohn said: "We believe the time is right for putting into reality a pan-European R2P solution that allows existing end-user solutions to interconnect and, at the same time, provides the basis for the development of new pan-European payment solutions.

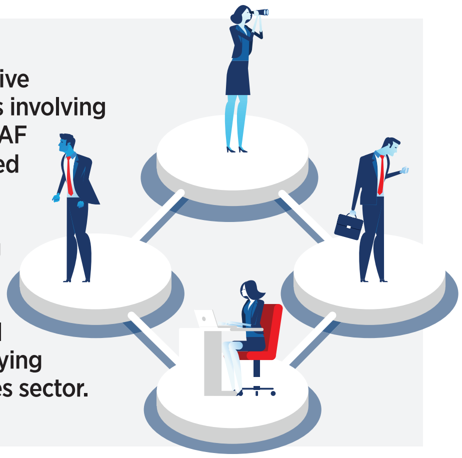
"Most PSPs now have the necessary real-time capabilities in place to engage in the rollout of new customer products – as testified by our instant payment system: RT1 currently connects 2,368 PSPs across 19 countries, which account for close to 75% of the SEPA Credit Transfers EBA CLEARING processes today. Since its launch, the platform has processed 50 million [real-time] transactions in real time, and with immediate finality – and its volumes have recently risen to nearly two million payments per week."

SURVEYS AND REPORTS

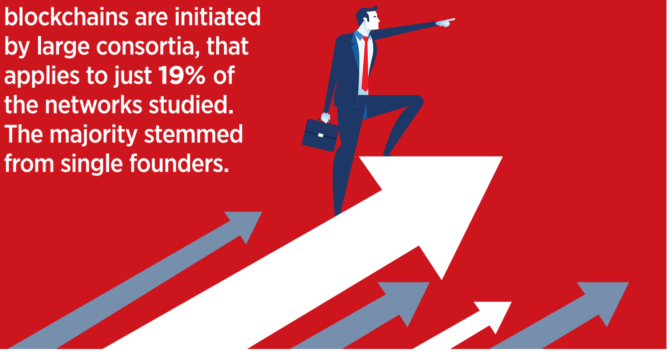
BLOCKCHAIN TECHNOLOGY

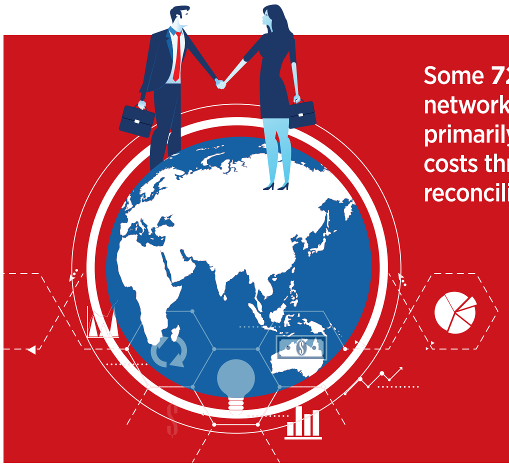
REAL BUSINESS VALUE IS STARTING TO EMERGE FROM ENTERPRISE BLOCKCHAIN NETWORKS, ACCORDING TO NEW RESEARCH FROM THE CAMBRIDGE CENTRE FOR ALTERNATIVE FINANCE (CCAF). IN ITS *2ND GLOBAL ENTERPRISE BLOCKCHAIN BENCHMARKING STUDY*, THE THINK TANK NOTES THAT NETWORKS ARE DELIVERING ON BUSINESS OBJECTIVES MORE TANGIBLY

In an analysis of 67 live blockchain networks involving 160 participants, CCAF found **43%** dedicated to finance; the others operating in industries ranging from logistics, accommodation, healthcare and retail to the mining, quarrying and natural resources sector.



While the broad perception is that enterprise blockchains are initiated by large consortia, that applies to just **19%** of the networks studied. The majority stemmed from single founders.





Some **72%** of networks are used primarily to lower costs through reduced reconciliation efforts.

However, **69%** of participants say that the main motivation for joining their networks is to generate incremental revenues through the provision of new products and services.

A median enterprise blockchain project takes **25 months** from proof of concept to deployment in production – but some large-scale networks take more than four and a half years to come to fruition.

While **81%** of networks currently maintain a high level of centralisation, they plan to gradually distribute control.

TRAILBLAZERS

THE BEST TREASURY PROFESSIONALS AND TEAMS WERE CELEBRATED AT THE ASSOCIATION OF CORPORATE TREASURERS' MIDDLE EAST TREASURY AWARDS AT THE MADINAT JUMEIRAH ON 30 SEPTEMBER

MEET THE JUDGES

MATTHEW HURN FCT
(chair of the judging panel)
Executive director, CFO alternative investments and infrastructure, Mubadala Investment Company

ANDREW McMICHAEL FCT
Group treasurer, Agility Logistics

LAURA FORD
Senior treasury manager, group treasury, Majid Al Futtaim Holding

JAMES ADAMS FCT
Group treasurer, Chalhoub Group

GARY SLAWTHER FCT
Treasury director, Arabtec Holding

CHAIRMAN'S AWARD

Ahmed Al Sayegh

In a new category for 2019, chairman of the judges Matthew Hurn recognised His Excellency Ahmed Al Sayegh, chairman of ADGM and Minister of State.

A business leader held in high regard in the region, Al Sayegh has worked to provide businesses with the infrastructure and mechanisms that will enable treasury functions to work effectively and efficiently. Al Sayegh has also held board positions at Mubadala, Etihad, Dolphin Energy and FAB. He is the current chair of Abu Dhabi Global Market.

"By listening to the needs of the treasury industry, tonight's winner actively proposed the adoption of regulation resulting in ISDA recognising the zone as a netting-friendly jurisdiction. Furthermore, recognising the need to train and develop United Arab Emirates [UAE] talent, the importance of continued professional development and to encourage women in the workspace, this person has been leading the charge," Hurn said.

CORPORATE FUNDING AWARD

Majid Al Futtaim Holding

This year's Corporate Funding Award went to Majid Al Futtaim Holding's $600m green sukuk issuance, the first of its kind in the Middle East. The organisation's experienced treasury team, in collaboration with its sustainability team, skilfully tapped international capital markets, achieving very cost-effective funding within tight time frames.

The transaction required considerable work to incorporate the mechanics of green financing into the documentation and Majid Al Futtaim worked closely with third-party provider Sustainalytics, which verified the company's green finance framework and also awarded a low-risk environmental social and governance rating.

The proceeds of the issuance will be directed towards renewable energy, sustainable water management and energy-efficiency projects, as well as green buildings.

The transaction was arranged by Abu Dhabi Islamic Bank, Dubai Islamic Bank, Emirates NBD, First Abu Dhabi Bank, Gulf International Bank, HSBC and Standard Chartered Bank. Dentons was legal adviser to the joint lead managers and banks, with Clifford Chance representing the company.

The judges said:
"In a field with many strong contenders, Majid Al Futtaim stood out for its impressive and innovative deal. The green financing element was particularly commendable."

TREASURY MANAGEMENT AWARD

Landmark Arabia

Landmark Arabia – the Saudi arm of Landmark Group – won the 2019 Treasury Management Award for its bespoke solution to payment processing. Harnessing cutting-edge technology to address challenges inherent within existing manual processes, Landmark's bespoke solution brings together the capabilities of robotic process automation (RPA) and host-to-host file transmission. It also furthered the company's digitisation ambitions.

The goal has been to reduce manual intervention, minimise the fraud risk and achieve greater certainty over the timing of cash flows, while contributing to the company's digital-transformation goals.

Landmark Arabia is a market-leading retailer in Saudi Arabia with more than 700 outlets and over 13,000 employees. Its payment-processing challenges included: local bank limitations on telegraphic transfers; the requirement to enter beneficiary details manually (increasing risk of error and fraud); and uncertainty around settlement dates of specific payments.

The solution – the semi-automatic payment solution – has three main components: vendor master data integrity, RPA validation of XML files and a bank-verification component developed in partnership with BNP Paribas.

The judges said:
"The way that Landmark approached its treasury management in terms of process automation and innovation is to be applauded."

HIGHLY COMMENDED Schneider Electric

Schneider Electric set up an automatic zero-balance cash-pooling/funding arrangement with its head office in Paris to make liquidity and funding available to group companies in AED, USD, EUR and QAR. The new structure required considerable local treasury expertise. The judges said: "Schneider's deal stood out for its impressive delivery and execution."

HIGHLY COMMENDED Microsoft

Working with ADCB, Microsoft structured an agreement where a novel trade finance solution using non-recourse assignment of receivables was combined with its sales offering to customers purchasing cloud products from resellers. Microsoft was highly commended by the judges for its work addressing strategic challenges and for creating a positive impact across the whole value chain.

LARGE CORPORATE TREASURY TEAM OF THE YEAR

Saudi Telecom Company

The treasury team awards each year seek to identify the corporate treasury team most highly regarded by its peers and advisers. This year's winning large team, Saudi Telecom Company (STC), was singled out by the judges for its long list of achievements over the year, as well as the high calibre of the team itself.

Among its achievements this year, STC's treasury team pulled off an impressive $1.25m, 10-year inaugural sukuk issuance. This was the first telecom issuance from the Middle East in the past 12 months, the largest MENA corporate sukuk in 2019 and the tightest spread of any similar sukuk from a MENA corporate over the past five years.

The judges said:
"The team at STC has achieved a great deal and is particularly praiseworthy for setting up a deal programme to an impressive turnaround time."

HIGHLY COMMENDED Etihad Airways

Etihad Airways' multiple achievements across a broad spectrum – financing, cash forecasting and procurement – compelled the judges to highly commend the team. The attention to diversity and inclusion reflected in a commendably high proportion of women employed on the team also drew plaudits from the judges.

SMALL CORPORATE TREASURY TEAM OF THE YEAR

Gulf Pharmaceutical Industries – Julphar

The award for Small Corporate Treasury Team of the Year went to Gulf Pharmaceutical Industries – Julphar, for its steadfast work under testing conditions.

Among the challenges that Julphar faced were the temporary suspension of its exports to Saudi Arabia, 30% of its market, and the withdrawal by the UAE Ministry of Health of some of its products. Internally, the company lacked structure and its departments worked within silos.

In February, the CFO of the company stepped down, leaving the treasury function facing considerable challenges. The team became a catalyst for change and worked with procurement, supply chain, marketing, IT and legal functions to bring about better information exchange and collaborative decision-making.

The treasury team achieved stronger communication with its banking partners; it worked to restructure existing facilities, improve cash forecasting and achieve cost savings within payment processes.

The judges said:
"Julphar's treasury team has particularly impressed the judges with its work in what has been a challenging year for the organisation and the team."

HIGHLY COMMENDED Aujan treasury team

In the Small Corporate Treasury Team of the Year Award category, the judges highly commended Aujan for its exemplary attitude, remaining focused on sustainable solutions for the group and progressive development as a team.

INDIVIDUAL AWARDS

TREASURY PROFESSIONAL OF THE YEAR – PRIVATE SECTOR

Mona Lockett

As group head of treasury at Webcor, Mona Lockett managed a treasury team dispersed across several locations in Africa. Since establishing a centralised treasury, Lockett also worked to implement a treasury management system and further improve efficiency. The company has been able to reduce bank borrowing and can now invest its surplus cash in more secure regions. *Lockett has since joined Al Futtaim Group.*

The judges said:
"Our winner has impressed the judges for consistently high performance over the years."

HIGHLY COMMENDED

Staney Pullolickel

Regional treasurer for AMEA at General Electric (GE), Staney Pullolickel was highly commended in this category. The judges acknowledged the scope of his responsibilities and his achievements developing regional banking relationships and bringing treasury upfront to the commercial stage at GE in the region.

TREASURY PROFESSIONAL OF THE YEAR – PUBLIC SECTOR

Kata Pasztor

Kata Pasztor, treasury manager at Etihad Airways, has made her way from flight attendant to treasury manager in four years. She is the first woman in the UAE to be fully ACT qualified, and leads a number of initiatives through training and mentoring.

Pasztor has led on expense management processing, commercial and procurement card implementation projects as well as working on a new automation project for accounts receivable collections.

The judges said:
"Kata is a true representation of what the ACT stands for."

HIGHLY COMMENDED

Sean de Silva

Sean de Silva, until recently project manager with the Sharjah Finance Department, Government of Sharjah, was highly commended for his ability to manage a range of internal and external stakeholders, and for his meticulous and creative approach to problem-solving.

TREASURY PROFESSIONAL OF THE YEAR – FINANCIAL SERVICES

Cyril Tabet

This year's winner of Treasury Professional of the Year – Financial Services goes to Cyril Tabet, managing director of advisers Moelis & Co. Tabet attracted the judges' attention with his highly conscientious approach to client work, his willingness to act as a 'lightning rod' in difficult discussions with third parties and the soundness of his commercial advice.

The judges said:
"As well as being outstanding at advising on negotiating tactics, Tabet is commercially astute and a highly capable adviser."

HIGHLY COMMENDED

Hanna Khoury

Group treasurer at Qatar Islamic Bank, Hanna Khoury stood out with the judges for his technical skills and impressively up-to-date knowledge demonstrated on local, national and international standards.

TREASURY PROFESSIONAL OF THE YEAR – TREASURY SUPPLIER

Habib Ghanem

Habib Ghanem, vice president of business development at TreasuryXpress, is this year's winner in the Treasury Professional of the Year – Treasury Supplier category. Ghanem has become known for his flexibility throughout negotiation, implementation and then thorough delivery, making him an invaluable business partner to treasury clients and the standout winner in this category.

The judges said:
"This winner has become known for his commitment to fully understanding his clients' needs."

HIGHLY COMMENDED

Wassim Kadi

Global director at SAP, Wassim Kadi was highly commended in this category. The judges agreed that Kadi had been instrumental in bringing highly complex technical content to students, giving them the cutting-edge skills they need before they enter the workforce.

LOW LOWER **LOWEST**

CENTRAL BANKS, NEGATIVE INTEREST RATES AND THE NEW NORMAL

In recent months, central banks have been spurred back into action by the ongoing global economic slowdown, wobbly financial markets and heightened uncertainty from the noisy US-China trade war and political risks in Europe. The US Federal Reserve has cut rates twice already and may cut once more before the year is out. The European Central Bank (ECB) has cut rates and restarted massive bonds purchases. Other, smaller central banks are pursuing similar policies.

Some pundits argue that these latest efforts will hardly have any impact on the real economy and that central banks are running out of ammunition. That misses two key points. First, lower growth must be matched by looser monetary policy else central banks themselves will be adding a further dampener on economic momentum. Second, central banks could supply ample liquidity at extremely generous conditions. In this way, they might contain the risk of economic softness triggering serious financial tensions of the kind that could reverberate back into the real economy.

Slow economic growth and low interest rates in the developed world is the new normal. This has changed the orthodoxy for central banks. Ultra-low policy rates and huge balance sheets are a symptom of the slow growth.

Growth is slow because trend productivity is weak. This is not a legacy of the financial crisis or bad economic policies. The record of history is clear. Every once in a while we enjoy a major flush of innovation that dramatically lifts living standards and economic growth for decades at a time. We eagerly await the next one.

Market interest rates are low because there are more savings than there are genuine opportunities for investment. The global economy is indeed awash with savings and liquidity. But the private sector of the advanced world largely occupies the edge of the known technological frontier. This excess of savings drives down interest rates, especially on low-risk assets.

It is no longer true, therefore, that low interest rates equate to easy monetary policy. Yet it is all too common to hear pundits and analysts make this point. What matters is where policy rates are relative to potential economic growth. The open market operations that enable a central bank to achieve a 0% policy rate are more stimulative when the real GDP growth trend is 3% than if it is 1.5%.

In a low-growth environment, stimulating economic growth with monetary policy is tricky. First, the zero lower bound limits how low central banks can drop their main policy rates. Although some central banks have experimented with negative interest rate policies, including the ECB, the Bank of Japan and the Swiss National Bank, they have not yet dared to lower interest rates much below zero.

Second, central banks are constrained by what is considered by policymakers as acceptable means to stimulate demand. In the post-Lehman period, central banks' toolkits have expanded through necessity. Nowadays, central balance sheets directly influence market liquidity through the purchases of public and private assets on the open market, ie quantitative easing (QE). But in theory, there is no real constraint on how central banks can use their balance sheet.

Some economists argue that central banks should directly deposit money in people's accounts for them to spend – so-called helicopter money. Others argue that central banks should simply finance government spending. For now, the consensus is that both ideas would damage the central banks' credibility and trigger a surge in inflation. Then again, this was once said of QE as well.

Kallum Pickering is senior economist at Berenberg Bank

GETTING A HEAD START

THE ACT'S FUTURE LEADERS IN TREASURY GROUP IS INSTRUMENTAL IN PUTTING YOUNGER PROFESSIONALS IN TOUCH WITH EACH OTHER, AS EMILIE HELPS EXPLAINS

The Association of Corporate Treasurers' (ACT's) Future Leaders in Treasury group was set up in 2013 to support younger treasury professionals as they develop their careers. The group provides a dynamic forum via which individuals can grow their skills, network with peers and interact with more experienced treasury professionals.

Our activities are put together by a small working group with representatives from a range of industries and territories. Broadly, we are focused across these areas: personal and career development; technical knowledge and engagement with the ACT; and we also have a workstream focusing on the Middle East.

As those working in and with treasury develop their careers, they will need access to different information. It is important for us to provide useful 'how-to' resources on key treasury topics to enable those in the Future Leaders group to have a fundamental understanding of these areas. We do this in a number of ways: from running events to publishing podcasts and posting articles on the LinkedIn group. The events are an important source of networking – enabling those in the earlier stages of their careers to meet peers and develop contacts; they also provide a useful way to exchange ideas and learn from others.

For the ACT, it is a way to connect younger members with the services and opportunities that can enhance their careers.

The group raises awareness of the ACT's work and the benefits of membership, along with fostering a sense of community and encouraging members to get involved with the ACT.

Another core objective of the initiative is to provide opportunities for a younger audience to help shape the profession – the group has generated ideas that have been used by the wider ACT membership through articles in *The Treasurer*, speaker sessions at conferences and stand-alone events, such as the resilience evening held earlier this year. A key benefit of the group is ensuring the ACT is aware of the realities of the workplace as it affects younger professionals.

SEEKING YOUR VIEWS

We will be issuing our annual questionnaire in November/December to seek your feedback on the ACT's Future Leaders group. This feedback is important as it allows us to take your views into account when putting together the agenda for next year. We encourage you to complete the questionnaire when you receive it.

We are also organising a podcast on the topics of ESG and FX, on which we'll keep you updated.

Technical disruption is changing the treasurer's role; for example, we have seen many corporates moving away from traditional spreadsheets to managing their positions through treasury management systems. As new fintech products develop, we can expect the day-to-day aspects of treasury to become more and more automated, therefore skill sets will need to shift. Treasury professionals will need to adapt their skills to become more technical (in order to understand these new systems), but at the same time – and more importantly – must not forget to focus on strategic thinking to establish their role as key business partners within their organisations.

Find out more about the Future Leaders group, including accessing blogs on the events the group has been involved with, at treasurers.org/futureleaders

Emilie Helps is chair of the ACT's Future Leaders in Treasury group

THE FUTURE IS MOBILE

DOING BUSINESS IN AFRICA IS INCREASINGLY MOBILE-ENABLED, EUGENE BANJA SAYS

Widespread use of the internet and the proliferation of social media platforms has done much to make the world smaller and more connected.

Africa has not been left behind. According to the latest figures from the International Telecommunication Union, access to the internet has improved, reaching 24.4% of the population. While still low compared to other continents, this means increased exposure to the global village and improved access to markets.

African governments have worked hard to ease the process of starting up and operating businesses. These policies have proved extremely useful as the continent seeks to put itself on a level with the developed world. Opportunities in real estate, infrastructure and utilities have been snapped up by foreign investors betting on the long-term success of the continent.

Innovation has taken off as increasingly well-educated populations apply what they have learnt to the workplace. Google and Facebook have struck partnerships to take advantage of the growing number of programmers and developers. Firms like Uber and IBM have increasingly found their feet in the nascent market.

That said, nothing has spurred developments across the continent quite like mobile telephony. The rapid adoption of mobile phone technology has worked wonders. In Kenya, local network Safaricom (partly owned by Vodafone UK) developed M-Pesa, a mobile phone-based money-transfer service. M-Pesa allows users to deposit, withdraw, transfer money and pay for goods and services easily via their mobile devices. This technology has since reached Uganda, Tanzania, South Africa and as far out as Albania and India in recent months.

As a result, payment processing across the region has taken massive steps forward with banks being forced to adapt their processes and their know your customer procedures to factor in the new mobile phone payments. The banks have responded by shortening transaction processing times and introducing a raft of new products to capitalise on the adoption of mobile technology. It would not be an exaggeration to say that any new business on the continent would be non-existent if it didn't integrate some form of mobile phone technology within its payment processing. While this has posed a number of challenges, it has forced treasuries to integrate the ability to reconcile amounts flowing in and out of their coffers via mobile platforms. In turn, big payments processing companies such as Mastercard and Visa have developed an array of mobile-friendly solutions to help treasurers reconcile large volumes of small payments coming in via mobile telephones.

The business of finance, both large and small, has also grown massively on the continent with mobile lending apps taking hold and providing individuals and small businesses access to short- to medium-term credit in ways that traditional banking models have struggled to keep up with.

All this bodes well for a continent with a large population of individuals aged between 25 and 40 years[1]. It remains incumbent on the governments to continue easing the business environment to attract foreign capital inflows, retain locally trained skills and continue enhancing the infrastructure that will be the backbone of all this development.

As it stands, a number of countries have started putting in place open visa arrangements with other African countries in a bid to encourage workplace mobility and to ease capital flows across the continent. The new Ethiopian government announced visas on arrival for other African citizens, and other countries are looking to emulate this. The African Union has started discussions on a unified African passport modelled on the EU. A larger market means greater opportunities for corporates to embed their products, services and solutions, and treasury education is taking root with the number of students sitting The Association of Corporate Treasurers (ACT) qualifications increasing over the past few years. The bigger corporates have taken note with a lot more opportunities opening up for ACT-qualified (and qualifying) students.

The future is bright in Africa and African business.

1 *UN Economic Commission for Africa Report 2019*

Eugene Banja is treasurer at the African Guarantee Fund

NATALIE O'BYRNE

RELATIONSHIP DIRECTOR, HSBC UK BANK PLC

MAKING A DIFFERENCE

Building knowledge and expertise in the early stages of a career is crucial for professionals who want to maximise their development and make a difference to their organisations. Here, four younger treasurers speak about the challenges and highlights within their roles

Treasurers entering the profession in the past five to 10 years will be experiencing a pivotal moment in the treasury function as digital transformation accelerates. Keeping in step with technological and workplace changes – always with a focus on the business imperatives of the organisation – will be more crucial than ever to treasurers riding the wave of transformation in the industry.

So, how does that play out in reality? Natalie O'Byrne is a relationship director at HSBC UK – she enjoys nurturing client relationships and helping their businesses grow. Tom Dolan, treasurer at digital bank Monzo, is focused on designing an in-house treasury management system (TMS) as well as fulfilling his day-to-day job. James Carr is financial controller at property developer Anthology; here, he thrives on making a difference to the overall profitability. Lastly, Rathi Buvanendra is a treasury analyst at RELX, where she is currently working on a project integrating new acquisitions.

I am a relationship director at HSBC UK within mid markets, managing a portfolio of client and prospective client relationships. I work to support all aspects of their finance needs, which can span from traditional lending to supporting international trade, helping improve working capital and managing financial risks while optimising treasury policy.

I am the first point of contact for the business and a large part of my role is staying close to my customers to understand their strategy, performance, opportunities and threats. A fundamental part of my job is relationship building so that my clients trust me and know that I will do the very best I can for that business.

No two days are the same, which makes it a unique role. The client comes first, so my day is heavily dictated by them. While it can be challenging at times, it is hugely exciting. Seeing that what I do for my clients makes a tangible difference to their businesses is hugely rewarding.

When not busy with my day job, I have joined an internal working party to help redesign all of the training programmes for junior staff members to get them ready for client-facing roles, or more complex treasury requirements and financing. I'm really focusing on where I can add value.

Digital transformation and the adoption of artificial intelligence tools within banking is accelerating, and I anticipate elements of corporate banking and client interaction will become more commoditised and automated. This will transform the role of the relationship director – I expect it will look very different in the future. How we adapt to this and how we seek to find alternative ways to add value and build customer loyalty in the future will be a critical challenge for me.

CAREER HISTORY

- I was at Lloyds Bank for nine years, first as a relationship manager and then as relationship director.
- I've been a relationship director at HSBC since 2018.
- Outside of work I love to travel and I have relocated abroad three times for work or study (Florida, Toronto and Houston), which has made this possible.

TOM DOLAN

TREASURER, MONZO BANK

As treasurer at digital bank Monzo, I oversee all aspects of the treasury function as well as lead the regulatory reporting team. Monzo is a vibrant place to work, so I end up doing lots of different things, not always wholly related to treasury. My main function involves optimising capital, liquidity, market risk and funding strategies. I'm also heavily involved with the day-to-day cash management, regulatory decision-making, relationship management and developing new products. I spend a lot of time working out how treasury can add maximum value to projects across the bank, too.

> "Being a treasurer gives you a front seat in a business's financial affairs and risks"

We are currently creating an in-house TMS that will have the capability to monitor the bank's liquidity and capital risk appetites in real time, along with operating cash balances and key ratios. This is hugely exciting and will bring lots of different data sources together to be viewed and customised in one place. This project is the kind of thing that incentivises me because it will not only improve the bank's services, but I get to learn new things, too.

Being a treasurer gives you a front seat in a business's financial affairs and risks, and is especially rewarding when you can add value to new products and services. I've always found these parts of treasury satisfying.

One aspect of my job I particularly enjoy is the investment strategy. There are so many details to take into account, such as the different risks, capital, liquidity, yield and even the ethical and social aspects of investing.

Monzo, like other fully licensed banks, submits around 200 regulatory returns each year to the Prudential Regulatory Authority and Financial Conduct Authority, and we always aim to ensure they are reflective of a high-growth company like Monzo. It's important that treasury understands the regulation driving the metrics calculated within these returns so we can make better-informed decisions around deploying capital and liquidity.

One of the main challenges we currently face is setting up a wholesale credit risk function for treasury and risk. These teams will review and challenge the creditworthiness of potential investments such as debt securities and money market funds to help enable the bank to make informed and safe investments. Since this is a brand-new area for the bank, it will be a significant challenge to take this through to the board.

CAREER HISTORY

- I joined Monzo in 2016.
- I've held roles in investment banking, starting in regulation and ending up in treasury.
- Outside of work, I've started and operated fitness studios in London since 2014.

JAMES CARR

FINANCIAL CONTROLLER, ANTHOLOGY

I am the financial controller at Anthology, a private equity-backed residential property developer in London. The company is only five years old, but is growing quickly. Currently, it owns seven sites with a pipeline sales value of around £850m. Each site is in a special-purpose vehicle and funded from a mix of equity and high street debt.

The best thing about my job is that the individual projects and financing that I work on make a real difference to the overall profitability of the wider business. It's an integral part of the whole process. Each development is unique with different challenges from a funding perspective, such as availability of security, lender appetite, planning challenges and the affordable housing mix. Overcoming these to secure the most suitable package is a challenge, but rewarding. How a development is financed has a material impact on the overall returns, so careful management of the amount and timing of equity contributions is critical to the overall returns.

The culture of the organisation, which is open with a flat hierarchy, allows everyone to work closely and to take ownership of the business and its operations. Everyone is accessible to everyone else, which is a great tone set by the leadership.

Fortunately, the 40-strong team is aware of the importance of the cash position and updates me on material changes outside the usual month-end reporting and forecasting cycle. Monthly project meetings provide me with the opportunity to challenge revisions to sales and build programmes to ensure the numbers I am reporting tie into what is actually happening on the sites.

My main focus is on treasury activities, such as cash forecasting, modelling, debt management and scenario planning. When new debt is being arranged, I devise and execute the hedging strategy, prepare supporting cash flows with covenant calculations and negotiate with facility agreement with lenders. I also model the impact on the overall group returns for the different funding options. As the financial controller (reporting to the CFO), I am also responsible for reporting the group's results, budgets and associated activities.

I love the variety of the work and the constantly changing demands of the business. What also incentivises me is the ability to educate colleagues on the importance of cash management.

There are lots of unknowns around how Brexit will impact future sales in the London market from both home and overseas purchases, and these need to be factored into the modelling. Understanding what the cash position will be over the next 12 months is a key challenge. The complexity around the planning process and build programme causes variations to forecast cash outflows. All these need to be understood, monitored and assessed, with realistic mitigation strategies agreed in advance to prevent cash shortfalls. But thanks to my MCT [now Advanced Diploma] qualification, I have a suite of tools and knowledge to enable me to manage these challenges.

Since speaking to The Treasurer*, James Carr has become FD of the London and South East Division of Lifestory, an entity formed from the merger of Anthology with Pegasus Life*

CAREER HISTORY

- I've held various accounting and finance roles at M&G, Britvic and Countrywide.
- I moved into treasury when I worked at Swan Housing Group, including head of treasury and corporate finance.
- I'm a keen cyclist, I play the cello and I once shared a bunkroom with Ben Fogle at Dartmouth College.

RATHI BUVANENDRA

TREASURY ANALYST, RELX LONDON

As a treasury analyst at publishing house RELX, my job is varied and stimulating. The best aspect of my job is the ability to be analytical and think outside the box when working on a variety of different projects. Given the small size of the London-based team, I get the chance to support not only the treasury manager, but also the assistant group treasurer and the deputy group treasurer.

Working within a multinational corporation provides me with the opportunity to work on ad hoc projects that emerge, whether it is in acquisitions, disposals or business integration. There are often treasury implications resulting from these projects that I am able to get involved in, which allows me to gain a greater understanding of the group as a whole.

I am currently working on an interesting project integrating new acquisitions to the banking system, which includes setting up new arrangements and facilities. This allows me to work closely with the business, talking with colleagues all over the world, and provide logistical support where required, which is really rewarding.

My day-to-day role consists of preparing information and schedules to incorporate into the treasury management reporting and coordination meetings. I also provide advice and support on banking and treasury issues to operating businesses, as well as monitoring compliance with treasury policy, such as group investment limits.

Besides the great role on offer, I decided to work at RELX because my team and the wider company were very open and friendly. The organisation is very family-friendly, too, which has been really important as a relatively new mother. Also, staff turnover at the company is low, which is a great indicator of a good business to work for.

CAREER HISTORY

- I started out as an enterprise risk consultant at Deloitte.
- More recently, I've worked as a treasury accountant and compliance analyst at Rexam.
- Outside of work, I'm the mother of a 22-month-old son; and I play for a local netball team once a week.

At present, the most significant challenges the business faces are the risks associated with the rise in security breaches and fraud due in part to the widespread use of technology.

As told to Michelle Perry, freelance business and finance journalist

> "The best aspect of my job is the ability to be analytical and think outside the box"

A SENSE OF BELONGING

ACT CHIEF EXECUTIVE CAROLINE STOCKMANN TALKS TO SALLY PERCY ABOUT WHY DIVERSITY AND INCLUSION MATTER

In October 2017, The Association of Corporate Treasurers (ACT) launched its Diversity and Inclusion Calendar, with the aim of giving members insight into a broad range of diversity-related topics and thereby helping to create an environment conducive to greater diversity in treasury. The Calendar consists of a series of evening events hosted by a supportive sponsor. Typically the format consists of a keynote address from a thought leader, a panel discussion that features treasurers and topic experts, and networking. Among the topics that have been covered at events to date are: gender; ethnicity; LGBTQ+; financial wellbeing; and unconscious bias.

In this Q&A, Caroline Stockmann, the ACT's chief executive, talks about why she decided to set up the Diversity and Inclusion Calendar, and how harnessing difference improves the performance of treasury teams.

What prompted you to launch a diversity and inclusion programme at the ACT?
The aim of the Diversity and Inclusion Calendar is to give treasurers in the UK an opportunity to discuss and address various aspects of diversity. At the events we often talk about solutions. What is it that businesses do in this particular area? How are people coping with this particular challenge? People can get ideas from each other, discuss them during the networking and then take them back to their organisations to implement. The feedback from those who participate is excellent.

The ACT is also involved with diversity and inclusion at an international level. I have run workshops in the Middle East and the Far East, and we have developed diversity and inclusion sessions to take place at the annual summit of the European Association of Corporate Treasurers (EACT). I am deputy chair of the EACT and also the International Group of Treasury Associations, so I link in with my fellow international associations to ensure that diversity is on their agendas.

What are the advantages of having a diverse team?
I believe that with a diverse team you are far more likely to be successful in business. If you accept each other's diversity, you're likely to get more creativity as well as different thinking, leading to different solutions to problems than if you had a very homogeneous group.

Does treasury face greater or lesser challenges with diversity compared with other professions?
In the UK and continental Europe, up to a third of treasurers are women. Compared with some professions, that's low. Compared with others, it's not too bad and it's on the rise. With our students, we see a greater balance of gender diversity. So the question is: as people progress through their careers, will there be a glass ceiling, or will we see a change in the gender make-up at the top?

There are no statistics available for ethnicity in treasury, but clearly you don't see a great amount of racial diversity within the profession. So I would say it's trailing on that front behind some other professions.

Are there any advantages for treasury, in particular, of having a diverse team?
We have to be careful around expectations because in treasury

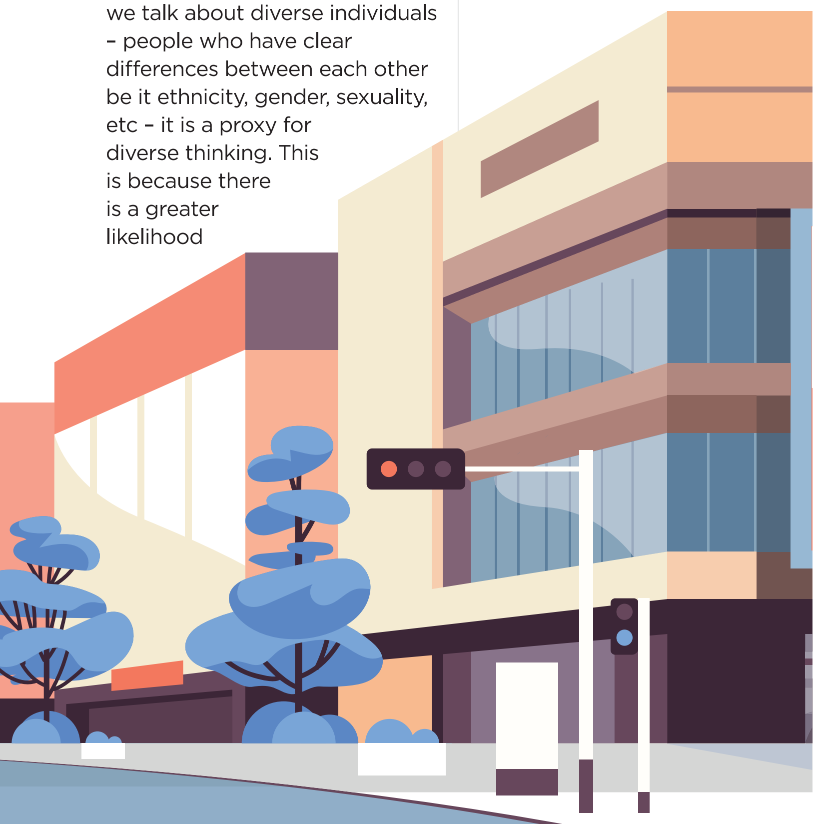
“Sometimes I think ‘inclusion’ is a more important concept than ‘diversity’”

there are certain dos and don’ts. You do need to know your job and you do need to follow certain treasury policies and procedures for governance reasons so that you’re protecting the organisation. Creative accounting or creative treasury probably would not go down too well!

But if you are talking about how to organise things, or how to solve a problem, then diverse thinking is important. So is balance. The evidence shows that if you have more than one woman on the board, there is more likely to be a balanced and collaborative approach in the boardroom. Also, diversity is fun. Elsewhere in life, you have men and women together, so why would you want just men or just women at work?

When talking about topics such as gender and ethnicity, we should not make assumptions or pigeonhole people. Why assume that a black woman is different from a white man? We can’t say that in every case there’s difference. Nevertheless, when we talk about diverse individuals – people who have clear differences between each other be it ethnicity, gender, sexuality, etc – it is a proxy for diverse thinking. This is because there is a greater likelihood that they have been brought up slightly differently, with different social and cultural norms, or indeed have had very different life experiences.

Sometimes I think ‘inclusion’ is a more important concept than ‘diversity’. It is about how you make people feel like they belong. When you feel included in something, you feel comfortable so you’re going to give your heart to it – you’re going to collaborate and work well, and you’re going to offer your thoughts.



Aside from unconscious bias, what are the biggest barriers to having a truly diverse workforce?
Within treasury and many other professions, people are so busy with the day-to-day that it can feel a distraction and simply too much for them to pay attention to the range of topics flying at them – such as diversity, artificial intelligence and sustainability. Often treasury teams consist of only two or three people who are trying to manage all kinds of things: the transition away from Libor, regulatory changes, the day job, more pressures on their business and the uncertainty of Brexit. A lack of headspace causes some people to push diversity aside, but others bring it into the day-to-day and say: “This is something I just do, and for the longer term it is really important.” I believe that these are the people who will ultimately be more successful and happy in their careers.

What do you think are the downsides, if any, to aiming for a diverse workforce?
I was an early adopter of research done by professors Joe DiStefano and Martha Maznevski at IMD Business School in Switzerland. They say that a homogeneous team will work well together and generally get good results. On the other hand, a diverse team that does not yet get on, or does not understand itself, will not work well. But a diverse team that does get on will outperform the homogeneous team. Of course there will be tensions if people are different. It’s working through those tensions and going beyond them that brings new thinking, creativity and greater success.

Do you think there are any specific ‘groups’ or topics that need to be the focus of future diversity events?
We are gradually working our way through the whole spectrum of accepted definitions of diversity. We’re also looking at intersectionality. For instance, there are connections between where people have felt a lack of inclusion due to being part of a perceived minority, and the onset of mental health issues – so now they are part of two ‘groups’ and therefore feel even less included. We will explore new topics and come back to topics that are still burning issues and monitor their development. I am again helping to organise the programme for our EACT Summit next April, so I’ve invited the ACT’s Future Leaders in Treasury group to run a session at that. This will look at the difference between treasurers now and in the future – and I’m sure age diversity will come up in that!

Which three things could all companies do to encourage a diverse workforce?
1. Be aware and think it through. When recruiting, consider the gaps in the team not only in terms of technical competency, but also style, personality and preferences for ways of working. Think a little harder about what would really complement the team rather than appoint another ‘mini me’. That will be more challenging at first, but will work very well for you over time.
2. Training on unconscious bias is very helpful to understand how we work as human beings. We can think of ourselves as the most inclusive people ever, but unconscious bias might affect us without us even knowing.
3. Do the StrengthsFinder assessment test with your team. It will help you to see people’s preferences and what they’re strong at. Then you can ensure their job role is getting the best out of them and that you are playing to their strengths. People are far more likely to be successful and happy if they’re doing the things they’re good at!

For more on building an inclusive workplace, turn to page 44

Sally Percy is a freelance business journalist

THE SCIENCE OF LEADING

DEFINITIONS OF LEADERSHIP ARE LEGION – AND SOMEHOW LACKING. WHAT DOES NEUROSCIENCE HAVE TO SAY? LIZ LOXTON INVESTIGATES

Good leaders, autocratic leaders, leaders who inspire, leaders who listen: our definitions and our needs around leadership are probably as plentiful as the leaders we've seen thrive or fail. In the search for clarity, there are some advances in neuroscience that might help.

The focused leader

If a leader is our North Star within a business or organisation, it will only help if they are clear on purpose and direction. What that stacks up to, according to Daniel Goleman, neuroscientist and author of *Emotional Intelligence*, is a refined and practiced capacity when it comes to focusing attention.

Attention and focus are the foundations of good leadership, Goleman says. But in a complex and interrupted world, it is under assault. Managing attention and focus in the information age is one of our essential tasks.

"A primary task of leadership is to direct attention," says Goleman, writing in the *Harvard Business Review*. "To do so, leaders must learn to focus their own attention."

Unsurprisingly, focusing attention turns out to be a complex operation. Neuroscientists tell us that we focus in different ways: inwards, on ourselves; outwards, towards others; and towards the wider world. Different individuals will combine or prioritise these three areas of focus differently, but good leaders – if they are to discern how well they are performing, how well their people are performing as well as picking up cues as to how their organisation's strategy or offerings will play out in other markets or locations – will have an ability to move across those areas. "Focusing inward and focusing on the wider world can improve [leaders'] ability to devise strategy, innovate and manage organisations," says Goleman.

Living up to this, however, necessitates an ability to switch between these areas of focus. Alarmingly, research suggests that as people rise up the ranks, their ability to shift between their perspective and that of others around them can diminish. This cognitive move between the present and the job in hand towards an exploration of wider horizons can erode over time, which means ideas and contributions from people lower down in the hierarchy can go untapped – or their views unheard.

Distributed leadership

If the ability on the part of leaders to focus and bring their attention to what is happening within and beyond their organisations is difficult to sustain, what other help is available? What help can neuroscience or leadership theory offer?

One potential answer may lie within the theory of distributed leadership, which encompasses an ability to deploy talented leaders throughout an organisation. "Most of our clients are looking to move away from top-down leadership," says Mark Withers, consultant and founder of Mightywaters. "This shift comes with different labels – distributed leadership, devolved accountability, empowerment – but it has the same underlying aim, to enable people at all

levels to take accountability and lead from their position in the organisation."

Henry Mintzberg, academic, author and a leading proponent of distributed leadership, suggests that it is the cult of leadership that is at fault – a notion that has had its day and that we celebrate at our peril. Successful organisations today have exhibited an ethos of shared responsibility and a strong sense of energy and purpose. "Companies are communities," says Mintzberg. "There is a spirit of working together. Communities are not a place where a few people allow themselves to be singled out as solely responsible for success."

The interactive leader

Arriving at this state or converting older organisations into something close to this model is not easy, however. Organisations might hanker after flat organisational charts, but the role of the CEO still tends to dominate, and organisations that genuinely share power and responsibility are rare. The notion persists that leaders take the helm of their organisations with an organised set of ideas about how to lead.

Ed Schein, professor emeritus at MIT and a pioneer of organisational development, argued recently that the task of the modern leader is to know and interact with the people they lead.

"Leadership is an activity in pursuit of something new and better," he said. The biggest inhibitor that leaders experience is that they don't arrive in the job knowing categorically what that something is. "In an increasingly complex world, appointed leaders simply don't know enough to decide what is new and better."

Effective leaders, Schein argues, need to interact with those they lead and ask rather than tell their employees what's needed. It flies in the face of a leadership model that has persisted for decades, but a leader that appoints talented individuals and then asks questions to help shape what that new and better objective is will encourage open discussions, cash-in on the expertise within their organisations and engender trust.

As Dan Cable says in his book *Alive at Work: The Neuroscience of Helping your People Love What They Do*: "When you are a leader – no matter how long you've been in your role or how hard the

IKON IMAGES

> There is a skill to delivering sensitive or controversial views for sure – but equally, there is a skill to hearing those views

journey was to get there – you are merely an overhead unless you're bringing out the best in your employees."

The listening leader

To move towards devolved accountability or distributed leadership, then, takes leadership – but of a particular kind. According to Peter Bregman, leadership consultant and author of titles such as *Leading with Emotional Courage* and *18 Minutes*, we tend to favour those leaders who demonstrate skill in conveying messages – those who speak inspirationally.

Bregman argues it is the ability to receive messages that distinguishes the best leaders from the rest. Why? "The better you are at receiving, the more likely people will talk to you. And that's precisely what every one of us needs: to be surrounded by people who are willing to speak the unspoken."

Bregman says organisations that don't create cultures where individuals are willing to speak up about problems or speak their minds in meetings are stacking up problems for themselves. "There is little value in having individuals in an organisation who don't speak their minds."

We often live and work within cultures that attribute bravery to speakers, Bregman argues. But leaders also have to be prepared to hear things that might make them feel defensive or insecure. There is a skill to delivering sensitive or controversial views for sure – but equally, there is a skill to hearing those views. Receiving messages thoughtfully, asking for more information, resisting the temptation to judge the speaker and staying sufficiently curious to want to understand what might lie behind what the speaker is saying – these are the distinguishing marks of a good leader.

Liz Loxton is editor of *The Treasurer*

MAKING YOUR OWN LUCK

IN NOVEMBER 2018, THE CO-OP WAS POISED TO ISSUE ITS FIRST SUSTAINABILITY BOND – UNTIL THE POLITICAL TURMOIL SURROUNDING BREXIT AND THE WITHDRAWAL AGREEMENT PROMPTED A SWIFT CHANGE OF PLAN. REBECCA BRACE REPORTS

Sustainability isn't a recent area of interest for The Co-operative Group, but it has been at the heart of the business since it was founded in 1844. Fast-forward to today and the retailer continues to have an impressive track record of having a positive impact on the world – from a car insurance business that offsets customers' carbon emissions to a funeral business that uses sustainable wood for its coffins.

Against this background, it should come as no surprise that the business is also making waves in the world of financing. Last year, with a bond set to mature in July 2020, group treasurer Scot Morton turned his attention to the question of how this should be refinanced.

"Initially, we were considering a eurobond issuance – but we also started to investigate the idea of converting it into a sustainability bond," he explains. Whereas a green bond has a project-based focus, with funds directly allocated to a specific project, Morton determined that a sustainability bond was an appealing option, allocating proceeds exclusively to the company's work on supporting Fairtrade, including Fairtrade producers and their communities.

Raising funds through a sustainability bond would not only enable the Co-op to access long-term funding at an attractive rate, but would also enable global investors to increase their focus on investments that meet the UN's Sustainable Development Goals and key environmental and sustainability targets.

Involvement in the issuance was not limited to treasury. "This was a collaborative project," explains Barry Clavin, the group's campaigns and sustainability lead, and part of the company's food policy team. "We brought our expertise on sustainability in general alongside Scot and the finance team." Clavin adds that the food policy team's role included helping to shape the Sustainability Bond Framework, focusing on "those areas where we felt we had the opportunity to make a difference, and where we had the best data".

Morton and Clavin also worked with second-party opinion provider Vigeo Eiris, which issued 'reasonable assurance' – the highest level of assurance available – on the bond's

The Co-op's Fairtrade wine range

contribution to sustainability. "The food policy team members are very much experts in their field, so it was interesting to hear them *tête-à-tête* with both the second-party opinion provider and the bank named as the sustainability bond framework agent," says Morton. "That constructive dialogue made for a pretty good framework."

In addition, Morton worked with colleagues in the legal team on the wording of the prospectus and the framework, as well as consulting with the commercial teams in the food retail business, food wholesale, and the funerals and life-planning businesses to help compile the risk factors.

All in the timing

Following the preparatory work, in November 2018, Morton embarked on a three-day London roadshow, which included one-to-one meetings with potential investors. "On the Tuesday we had the FD participating; on the Wednesday we had both the FD and the chief executive," says Morton. "That really helped – it proved how ingrained sustainability was within the business."

But then came an unexpected turn of events. "On Wednesday evening at dinner, we put on the TV screens and Theresa May said she'd agreed a Brexit deal with the EU leaders," recalls Morton. "Then, overnight, several cabinet ministers resigned." The next morning, the banks wanted to discuss how this Brexit agreement and the increased market uncertainty would play out – and the fact that the bond's indicative pricing had risen by 100 basis points in a matter of hours.

"It was a very surreal week," says Morton. "We were having meetings with our banks and they were saying, 'Of course you can continue to issue this bond – it's just that the price guidance you send out will be a lot higher than it was a week ago.' But the rates we were talking about were really quite high."

Morton had to make a difficult decision: to issue the bond and let the tender play out, or "pull up stumps" and let the bonds be re-released to holders to trade as they saw fit. "We informed the market that we were not going to issue the new bond," he recalls. "So that's how it played out – so very disappointing, especially after all the positive feedback we had received from the potential investors during the roadshow."

The bond and beyond

Then came the wait to get through the Co-op's close period in Q1, to allow the bond's prospectus to be updated with the most recent business performance. Following publication of the annual results, the bond was issued in May. This time, there was no need for a three-day roadshow – "we had undertaken enough education on the previous three days" – and the book runners had supported this by continuing the dialogue with the potential lenders about the structure and attributes of a sustainability bond.

The issuance process played out exactly as Morton hoped, with the bond two times oversubscribed. "The indicative price went out at 5.25–5.5% and a notional of £250m," says Morton. "The banks told us everything looked well, so they issued further indicative pricing at 5.125%. The second price guidance also flexed the bond's quantum up to £300m because there was sufficient demand from investors to fill that book, so everyone was quietly smiling – it was much better than first time around." As well as achieving a lower coupon than expected, the bond was the first-ever sustainability bond to be issued by a UK retailer, and the first in a series of planned refinancing that will see the Co-op raise funds to fuel its growth plans, within its debt ceiling of £900m.

The Co-op's Sustainability Bond Framework, under which any subsequent bond issuance will work, allows the Co-op to allocate funds to its spend on education, via its Academies Trust, alleviating water poverty, providing access to responsibly sourced products and delivering energy-efficient technology to lower emissions.

The bond has enabled the Co-op to access lower-cost financing tied into the business's ethical framework. Unlike a green bond, the proceeds of the bond were not ring-fenced, but are fungible, with the Co-op deciding this bond would allocate proceeds under the framework's scope exclusively to support Fairtrade. "We've been sustainable with or without this bond, but it helps amplify our story by telling investors how we work sustainably," says Morton.


Scot Morton (left) and Barry Clavin (right)

LESSONS LEARNED

- Timing is everything – and sometimes circumstances can dictate a change of plan.
- Issuing a sustainability bond requires involvement from across the organisation.
- A sustainability bond isn't just a funding source – it also communicates an important story about business strategy and values, both internally and externally.

"While it's obvious how some parts of the business deliver our purpose and sustainability strategy, it's more challenging for treasury and finance," adds Clavin. "If Scot had just put out a vanilla bond, he would have got some interest from our owners and members – but nothing like the scale that it got because it was a sustainability bond."

The Co-op is currently renegotiating its main banking facility and is exploring structuring this as a green facility, with a key performance indicator to improve margin.

Looking back at the journey to issuance, Morton says there were many nerve-racking moments – but in the end, the bond exceeded expectations. "I asked one of our banks if we were lucky in picking that week in May, and he said, 'Yes – but you make your own luck.' It was a time when volatility around Brexit had died down and there were calmer waters in parliament, so we did well."

Rebecca Brace is a freelance journalist specialising in corporate treasury and banking

A TIME OF TRANSITION

THE MOVE AWAY FROM LIBOR TOWARDS RISK-FREE RATES WILL AFFECT TREASURERS ACROSS A RANGE OF FRONTS. HERE, **SARAH BOYCE** LOOKS AT TAXATION

The issues for corporates raised by Libor transition are not confined to past and future contracts. Taxation matters can hit on a range of fronts. Internal transaction and transfer-pricing impact, for instance, include both financial transactions (for example, intercompany lending), but also transactions covered by advance pricing agreements, as both can reference IBORs. Examples might include a supply agreement that has a working capital adjustment that is Libor-linked, or a cross-border property lease.

Traditionally, tax authorities around the world have accepted that referencing Libor in such agreements demonstrates 'arm's length pricing'. It is effectively the market standard used globally.

The concern as Libor is phased out is that there will be no market standard to replace it. The post-Libor world will be fragmented: overnight rates, overnight compounded plus lag, plus lockout, in arrears, forward-looking – the variants just in the financial markets are seemingly endless at this point.

One of the biggest concerns among corporates is how they (and the tax authorities) would need to resource themselves in the event that every internal transaction currently referencing Libor had to be reapproved by tax authorities on a case-by-case basis. As a suggestion of scale, a mid-sized international organisation may have a couple of hundred intercompany agreements current at any one time, across a wide range of jurisdictions. In the event of no clear solutions being available, the ability to lend or provide services intercompany may be severely curtailed with a resultant impact on economic activity.

It would be very helpful to the real economy if the tax authorities could provide a coordinated global response and offer guidance on the approach that corporates should adopt to benchmark transition in relation to internal transactions in order to minimise disruption.

Impact on the profit and loss

Depending on the detailed tax rules in any particular jurisdiction (ie the extent to which tax follows accounting), anything that impacts the profit and loss may have a tax impact.

Examples would include:

• The valuation curves used for mark-to-market derivatives

IKON IMAGES

affect the profit and loss, and hence could affect tax.

- Where hedge accounting is disturbed (and that may or may not be the case, depending on how standard setters conclude), this could also cause the hedge to be broken, leading to gains and losses in the income statement, which could be taxable, depending on the circumstances.

This overlaps with the work required from the FASB and the IASB.

In jurisdictions where tax is calculated on a realisation basis, it will be important to determine whether the change of benchmark is treated as a continuation of the loan or a realisation of the old loan and creation of a new one.

The treatment effected as a result of a change in benchmark could also be important in cases:

- where new loans are subject to capital duty or stamp duty;
- where 'thin capitalisation' has to be assessed at the time the loan is created; or
- where a change of law applies to loans made after a certain date.

This will also be relevant when looking at regulatory impacts such as grandfathering requirements for European Market Infrastructure Regulation reporting.

Timeliness of action – particularly if legislation is required

Where legislation is required, it can take quite some time to get through the system (for example, in the UK there's generally only one Finance Bill per year), and it can be difficult to make any changes retrospective.

It may be that legislation may not be required to implement changes (for example, UK law just refers to 'arm's length' in the context of intercompany lending). But irrespective of whether or not legislation is required, corporates will need time to implement any changes once the tax authorities have decided what that means in a post-Libor environment.

Consistency – of approach and across jurisdictions

Mentioned above, but really worth reiterating, if different tax authorities come to different conclusions, this will result in severe headwinds in the real economy as corporates try to work their way through the chaos.

Tax authorities do not necessarily have to identify which benchmark (for example) should be used, as there will be many possible alternatives as the market fragments. Rather, a process or methodology that, if applied by the corporate, will give comfort to both parties that an appropriate approach is being adopted and therefore does not require case-by-case approval may be a more practical solution.

Generally, the concern is the lack of market standards. A simple, clear, consistent approach that can be universally applied by corporates would be very helpful to the real economy.

Given the lead time to implement any changes across the organisation, and a requirement that the economic (financial) impact of any changes are well understood prior to implementation, taxation issues need to be addressed promptly.

Sarah Boyce is director – policy and technical at the ACT

QUIZ

CONSOLIDATE AND EXTEND YOUR TREASURY KNOWLEDGE...

...by taking our quick seven-question challenge. The questions are framed around our recent Cash Management and 40 Years editions, supplemented by *The Treasurer's Wiki*.

Score one mark per valid point (totals per question are in brackets)

FINANCIAL MARKETS

1. **What's the difference between a unicorn and a whale in finance?** (2)
2. **Define an evergreen facility. How does it differ from a greenshoe option?** (2)
3. **Identify the importance for treasury investment of: MMFR, VNAV, LVNAV, Public debt CNAV and Prime CNAV.** (5)

RISK MANAGEMENT

4. **How could 'dovish' central bank policies challenge or benefit treasurers?** (4)
5. **True or false? FX balance sheet translation gains and losses reverse, if the related FX differences reverse.** (1)

BREXIT AND BREXODUS

6. **True or false? Brexit may exclude UK payment service providers (PSPs) from participation in the Single Euro Payments Area (SEPA).** (1)
7. **Rank the following cities by their popularity with financial firms relocating out of the UK: Amsterdam, Dublin, Frankfurt, Luxembourg, Paris.** (5)

(Total 20 marks)

Answers can be found on page 31.

QUIZ

7Q CHALLENGE ANSWERS

Mark your responses generously and encouragingly...

FINANCIAL MARKETS

1 Unicorns and whales. A unicorn is most often a tech start-up, valued at $1bn or more. A whale is a very large individual market participant, especially in cryptocurrency markets. (Not to be confused with whaling, a cyberattack using the names of legitimate senior executives and forged email addresses.)

(2)

2 Evergreen and greenshoes. An evergreen borrowing facility is one whose final maturity may be extended periodically by the borrower, with the lender's agreement.

Greenshoe options, also known as over-allotment options, relate to issues of securities. The option allows underwriters, and sometimes others, to buy additional securities at the original offer price.

(2)

3 Treasury investments. MMFR is the Money Market Funds Regulation, mandatory for all European money market funds from January 2019.

VNAV are variable net asset value funds. LVNAV are low-volatility net asset value funds.

Public debt CNAV funds are constant net asset value, with at least 99.5% of the portfolio invested in public debt securities, reverse repo secured with government securities, and cash.

These are all permitted types of funds under MMFR.

Prime CNAV is a superseded fund type, replaced by LVNAV and Public debt CNAV.

(5)

RISK MANAGEMENT

4 'Dovish' central banks. This is about official interest rates and related policies. In this context, doves generally like lower interest rates, while hawks favour higher rates, or earlier rate rises. (More broadly, 'hawkish' policies are relatively more assertive, aggressive or warlike.)

Dovish policies of very low, zero or negative interest rates are challenging for treasurers with surplus cash to invest. Potential benefits include stronger demand in the real economy and our organisation's markets, and the opportunity to borrow longer-term, fixed-rate funds at attractive rates.

(4)

5 True. If the same FX-denominated items remain in the balance sheet, their domestic currency equivalents will revert to their original values.

(1)

BREXIT AND BREXODUS

6 False. The European Payments Council confirmed in March 2019 that whatever form Brexit takes, UK PSPs will continue to participate in SEPA.

(1)

7 Popular cities. According to the *New Financial Brexitometer* report of March 2019, new bases of firms that had already relocated out of the UK as a consequence of Brexit uncertainties included: Dublin (100), Luxembourg (60), Paris (41), Frankfurt (40) and Amsterdam (32).

(5)

(Total 20 marks)

Your personal award

Marks	Award
17-20	Prizewinner
12-16	Distinction
7-11	Merit
1-6	Some good parts – well done!
0	Are you marking yourself too hawkishly?

With many thanks to Paul Cowdell FCT and James Lockyer FCT.
(Refer to page 29 for the quiz questions)

Doug Williamson FCT is principal contributing editor to *The Treasurer's Wiki*; wiki.treasurers.org/wiki/greenshoe

THE RATE ESCAPE

WITH JUST OVER TWO YEARS TO GO UNTIL LIBOR IS DISCONTINUED, THE TRANSITION TOWARDS RISK-FREE RATES IS ACCELERATING. PETER DAHLEN AND ANNE DRAKEFORD EXPLORE HOW CORPORATE TREASURERS CAN READY THEMSELVES

The UK Financial Conduct Authority (FCA) has made it clear that market participants need to end their reliance on Libor before the end of 2021. Since FCA head Andrew Bailey announced in July 2017 that the FCA would no longer persuade, or compel, banks to submit to Libor after the end of 2021, regulators, working groups, policymakers and other market participants have been focusing on how to manage the economic and operational differences between Libor and the risk-free rates (RFRs) that will replace it. Many other countries have also announced the reform of their Interbank Offered Rates (IBORs).

Market participants who, until now, have delayed taking active steps to progress transition will need to start preparing themselves to ensure they can transition comfortably before the end of 2021.

What should corporate treasurers do to prepare themselves?

Looking ahead, there are a number of steps that treasurers should start to think about in preparation for IBOR transition.

- **Scoping:** Given the broad range of products that could potentially contain IBOR references, the first step will be for corporates to carry out a scoping exercise in order to understand their IBOR exposure. Impact assessments will need to expand beyond a corporate's core treasury products to their commercial contracts more widely as IBORs are often used in intragroup loans as well as late-payment clauses and price-adjustment mechanisms in commercial contracts. A checklist of places to look for IBOR references in non-financial contracts is available on The Association of Corporate Treasurers (ACT) website.
- **Internal reporting:** IBOR transition is likely to become a board-level concern, and treasurers and their teams will need to be prepared to answer questions from senior management as to their IBOR exposure and transition plan[1].
- **Budgeting:** Corporates will need to draw up a budget to cover the costs related to the transition, including for systems changes.
- **Due diligence of legacy contracts:** Once the relevant contracts have been identified, they will need to be reviewed in detail to determine their

Where are we now with the transition?

- **Derivatives market:** The International Swaps and Derivatives Association (ISDA) is developing definitions for the RFRs and has consulted in relation to the approaches to term and spread adjustments for derivatives fallbacks as well as the trigger events that will lead to the application of the fallback RFRs. ISDA intends to publish the updated 2006 ISDA Definitions later this year, which will include fallback rates for certain interest rate benchmarks.
- **FRN market:** Sterling overnight index average (SONIA) is now the primary benchmark standard for new issuances of sterling floating rate notes (FRNs) with more than £28bn of SONIA-referencing FRN issuances to date. A similar story can be seen for US dollar FRNs with secured overnight financing rate- (SOFR) referencing FRNs now having reached more than $135bn, although the SOFR methodology has been more variable than for SONIA-linked sterling issuances. These transactions have involved financial institution and supranational issuers, with the majority of non-financial corporates yet to embrace the same changes (although Associated British Ports has recently become the first borrower to switch the reference rate of certain existing FRNs from Libor to SONIA by way of a consent solicitation process).
- **Loan market:** The main focus has been on increasing documentary flexibility by lowering the lender consent threshold for agreeing benchmark-related amendments (the aim being to avoid a potentially costly and time-consuming all-lender consent process for each individual syndicated loan agreement).

While there have been a handful of borrowers that have entered into SONIA-based bilateral loan agreements, progress in the syndicated loan market has been slow. This may be partly due to some choosing to wait for the development of forward-looking term rates that would closely replicate Libor, and to concern around the lack of operational infrastructure and market conventions for backward-looking overnight rates.

maturity dates and the affected currencies. Any interdependencies across products will need to be determined to ensure a coordinated transition (for example, any ISDAs that are used to hedge exposures under particular loan agreements).

Contracts should be reviewed to determine whether any fallbacks apply if applicable benchmark rates cease to be available. If there are fallbacks, treasurers will need to consider whether they are commercially acceptable and when they would apply (for instance, would they apply only once the relevant IBOR actually ceases to be available or is there an earlier trigger?). In order to prepare for contract repapering, amendment clauses should be reviewed to assess the consent level required to implement replacement rates and related changes.

• **Systems:** Market participants should engage with their operations and technology teams as soon as possible with a view to prioritising system updates to support the use of RFRs. Given the current uncertainty around the timing and availability of forward-looking term rates for each Libor currency, systems will need to cater for both compounded overnight rates as well as forward-looking term rates (including for those non-Libor currencies that will, for the time being, continue to use a forward-looking term-rate methodology).

Given the uncertainty as to when forward-looking term rates will be available, the message from regulators has been clear that market participants should not delay transition by waiting for forward-looking term rates, but should consider compounded overnight rates. Treasurers will need to be prepared for both eventualities and should consider to what extent compounded backward-looking overnight rates would be workable for use in their cash products.

Compounded rates will inevitably result in some reduction in visibility of interest payments, and corporates may need to consider putting in place short-term hedges or retaining additional cash reserves to compensate for this. By contrast, however, compounded rates demonstrate lower volatility than IBOR rates, especially over longer tenors, and therefore overall funding costs may be lower, notwithstanding the more limited visibility.

Compounded rates will inevitably result in some reduction in visibility of interest payments

• **Tax and accounting:** The IASB has proposed amendments to IFRS 9 and IAS 39 to provide relief from certain hedge-accounting requirements that could have resulted in the discontinuation of hedge accounting due to the uncertainty arising from IBOR transition. These amendments relate only to the lead-up to the end of 2021, and the IASB has yet to publish any proposals around the long-term impact of any replacement rates on hedge accounting. Corporates that rely on hedge accounting will need to engage with their accountants when formulating their IBOR transition plan. Similarly, the tax impact of amending internal funding arrangements should be considered.

• **Internal roadmap:** Once the due-diligence process has been completed, corporates will need to prepare an internal roadmap for their IBOR transition process. There is no 'one-size-fits-all' solution for IBOR transition; therefore, each corporate will need a transition plan tailored to their individual IBOR exposure.

The roadmap will need to address how and when to repaper legacy products and when to implement IBOR-based instruments going forwards. A number of factors will be relevant when discussing the timeline for amending legacy contracts, including overall market conditions as well as borrower-specific circumstances. For those corporates with multicurrency products, timing will also be dictated by the speed of development of replacement rates for each of the relevant currencies.

Corporates should consider engaging with contacts at their relationship banks when preparing their transition plan. In some cases, replacing or refinancing products – especially those with proximate maturities or where the bank or counterparty is proposing to discontinue the affected product – may be a more efficient alternative to amendment and repapering.

• **Join the discussion:** As banks continue to develop new RFR-based products, corporates that engage with their relationship banks at an early stage can help to shape and contribute to the development of these products. Corporates can also engage in the debate via product working groups and industry associations such as the ACT.

• **Keep up to date:** The pace of change will keep increasing as we come closer to December 2021. Corporates will need to stay abreast of developments regarding products and currencies that impact them at a global level, and will need to ensure that communications systems are set up to keep employees informed.

Looking ahead

With the end of Libor on the horizon, corporates that may have resisted making preparations are faced with little choice. Those that are willing to initiate discussions with contract counterparties may benefit from avoiding any last-minute rush in the run-up to December 2021. While the transition will involve upfront investment for all parties, there are likely to be benefits for corporates in moving to rates that are more stable, particularly in times of economic stress and which are based on more liquid and active underlying markets.

1 treasurers.org/hub/technical/briefing-notes/transition-to-risk-free-rate-benchmarks

Peter Dahlen is partner, banking and finance; and Anne Drakeford is partner, derivatives, at Clifford Chance

CLIFFORD CHANCE

With thanks to Paul Deakins, partner, debt capital markets; Julia House, senior associate, banking and finance; and Louise Baxter, associate, banking and finance.

THE VAT MAN COMETH...

CHANGES TO EUROPE'S VAT RULES MAY ULTIMATELY AFFECT CASH FLOWS FOR CORPORATES TRADING WITHIN THE EU. ANDREW BURGESS AND MICHAËL VINCKE EXPLAIN WHY THIS AFFECTS TREASURERS AS WELL AS THEIR TAX COLLEAGUES

Every so often, an issue comes along that demonstrates how closely treasury and taxation interact.

For example, any organisation trading with Europe will be affected by the changes that the EU is introducing to VAT processing; these will impact a cash flow near you soon. According to Mathias Bopp, tax partner at KPMG in Zurich, it will be the changes foreseen for 2022 that will have a major impact on the cash flow of companies trading goods in the EU. The changes expected by 2027 will impact services providers as well.

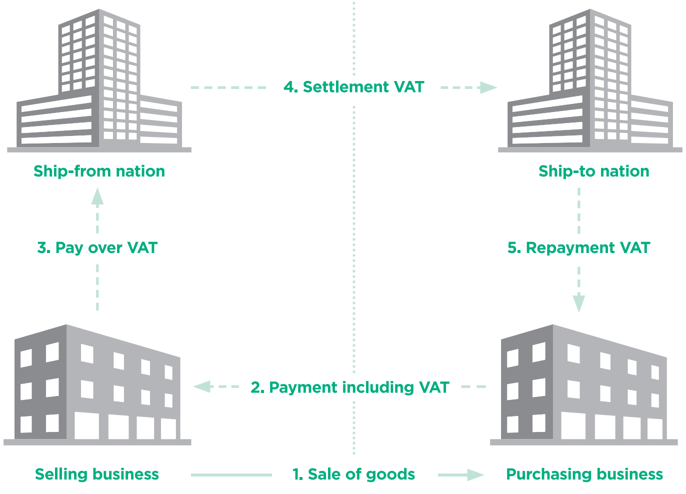
"These changes will not only impact EU-based businesses, but will catch all businesses who are involved in goods trade within the EU. Also, non-EU-established businesses (including the UK post-Brexit) will therefore be impacted. This includes the many businesses with a Swiss Principal structure," says Bopp.

This is not just an issue that needs to be passed over to the tax department. Given that the affected value of €1.1 trillion in VAT repayments within the EU each year attracts an estimated €50bn of VAT fraud annually, it is clear why this is a matter of governmental interest. And given on that total value, each 0.1% interest is a €3m *per day* of delay in collection, the importance to treasurers collectively is apparent.

The 2022 implications

The 2022 changes can be summarised as follows: cross-border sales of goods will be subject to VAT in the EU destination country (ie ship-to nation). Nowadays, such supplies are usually VAT exempt. This implies that VAT (on average 20%) will be added to such purchases. The businesses incurring such VAT (ie the purchasing business) will in principle be able to reclaim these amounts via the country where they are VAT registered (usually the country in which they are located), rather than the country in which the VAT was incurred (as is nowadays the case). Also, the selling business can pay over the foreign VAT to the country where the business is VAT registered. The involved national tax authorities will then settle the outstanding difference between themselves. This is to combat VAT fraud.

Diagram of 2022 situation



So, firms will send VAT reclaim information to their single home country tax authorities for all their different EU claim needs. This is clearly good, as each local firm can use its native language to clarify tax matters, via (ideally) a single point of contact, rather than worry about miscommunication between, for example, Finnish and Portuguese.

However, from a treasurer's perspective, this does have several potential risks due to the rearrangement of the VAT reclaim cash-flow timing to which your firm is used to. This raises some interesting interrelated questions:

1) Will ship-from nations delay paying collected tax to the ship-to nations to modulate their own national cash flows? For example, to avoid default on major debt-repayment dates. As this is effectively a mechanism that can be used for borrowing from the ship-to nation. While primarily an intergovernmental issue, it leads to the next three questions...

2) Will ship-from nations pay reported tax to the ship-to nations before collecting the actual payment of the tax from the selling business? Effectively extending an intergovernmental credit in anticipation of tax receipts. Or will they await the collection of the payment (instead of the reporting) before proceeding with payment to the ship-to nation?

3) Will the ship-to nation refund VAT to its local purchasing firms in advance of refund settlement from the ship-from nation? Doing so puts the ship-to nation in the position of lending to its own firms. Which raises issues with the EU regarding the support of businesses in different nations. (Given that these reforms were brought in to tackle cross-border VAT fraud, it may be unlikely that nations will refund before settlement, even to firms within their jurisdictions.)

4) Beyond the purely financial is the political question of whether this influence of another nation's finances will be used as a policy tool for signalling or influencing them. With regard to all EU nations, in all circumstances, and all possible future governments, it's intensely unlikely that this will never happen.

5) Given the advantage will lie with ship-from nations, will the intergovernmental relationship, political integrity of the importing country and its short-term fiscal pressures become potential factors for settlement? This is going to complicate cash-flow prediction; the question is how. For example, it's still to be formally determined if there is a netting-out principle, or will each relevant transaction need to be transmitted gross between involved nations?

6) Finally, will the ship-to nations refund settlements they have received promptly to their own firms making the claim? Will they equally promptly refund purchase businesses that aren't established, but only VAT registered in the ship-to nation? They effectively have the ability to selectively borrow from their local registered purchasing businesses, whether due to bureaucratic delay, short-term fiscal needs or deliberate policy.

As soon as answers to the above questions will become clear, concepts to manage/optimise the VAT position (with potential country shopping) will materialise, too.

So, who will be most impacted? Firms exporting to countries that are slow to refund internationally, from countries that further delay refunds to their firms in the jurisdictions (at both stages this could be deliberate, or simply processing delays) will see an increase in working capital tied up as VAT refunds.

This will most likely impact hardest on firms without sophisticated tax teams, who are able to pursue refunds promptly and fully. If that doesn't describe your firm, could it apply to key suppliers or customers?

Ways to mitigate:

- Prepare for impact: align with your tax colleagues to make an impact assessment as soon as possible. Small changes in the business set-up may make a big difference in working capital.
- Streamline VAT reclaim systems and optimise internally to reduce delay to a minimum.
- Maintain a close relationship with the home tax authority – to clarify and speed any queries or issues with their processing as much as possible.
- Review payment terms – shifting extra cost to customers until the refund process is completed would be extreme, even if possible. But for transactions between countries with severe payment delays, that may be the only way to make transactions viable.
- As the 'debtors' are sovereign nations, the risk is of delay in payment rather than complete failure of payment (hopefully), which might make such funds interesting for factoring services.

As is often the case, the issue boils down to understanding the environment in which our organisations are doing business and the implications of the interrelationships between the parties.

Summary of countries impacted

SHIP-FROM COUNTRY	SHIP-TO COUNTRY	IMPACT
Inside EU	Inside EU	Affected
Inside EU	Outside EU	No change
Outside EU	Inside EU	No change
Outside EU	Outside EU	Not relevant

Diagram of current situation

Terminology used

A major issue for clarifying the process is who is doing what. This article uses the following names for the four entities involved in a given cross-border relationship.
1 Selling business – the supplier of the goods;
2 Purchasing business – the purchaser of the goods;
3 Ship-from nation – the EU Member State from where goods are sent*; and
4 Ship-to nation – the EU Member State to where goods are sent (ie destination country)*.

Obviously, the changes will impact the form at the level where VAT is reclaimed. As this is not necessarily that of business head office, information will need to be disseminated to forecasting units.

* For simplification purposes, we assume that this is also the country of EU VAT registration of the purchasing business – other scenarios may occur.

Andrew Burgess (left) is a corporate treasurer based in Switzerland and chairs its regional member body; and Michaël Vincke (right) is international indirect tax expert at KPMG Switzerland


A SMOOTHER JOURNEY

IMPLEMENTING AN AUTOMATED HEDGING SOLUTION HAS SIGNIFICANTLY REDUCED THE IMPACT OF FX GAINS AND LOSSES AT LOGISTICS COMPANY YUSEN. STEFAN KARENFORT EXPLAINS

Yusen Germany is the local subsidiary of Japan-based Yusen Logistics Group, an international freight forwarding and logistics group. The international nature of this business leads to a large proportion of its transactions being denominated in foreign currency, resulting in a significant foreign currency exposure. Yusen Germany was not strategically addressing its FX risk, which meant substantial foreign currency impacts.

During the financial year 2017/18, foreign currency losses totalled about 0.5% of gross revenues, which hurt the financial performance significantly. Bearing in mind notoriously low margins in the freight forwarding industry, with the most profitable players reporting net margins of about 5%, the pressure was mounting to deal with the exposure going forward.

Initial attempts and challenges

Initial attempts to hedge were based on the use of individual forward contracts to eliminate the foreign currency exposure associated with cash flows denominated in USD. The dynamic, complex and highly transactional business model of international freight forwarding, however, makes it extremely difficult to make precise cash-flow projections. Additionally, there is the question of whether the exposure should be addressed on an aggregate level or based on individual transactions; and whether to hedge on a gross or net basis considering cash inflows and outflows. The seemingly simpler approach of addressing risk on an aggregated net basis still required significant efforts for follow-up and modification due to the ever-changing FX exposure.

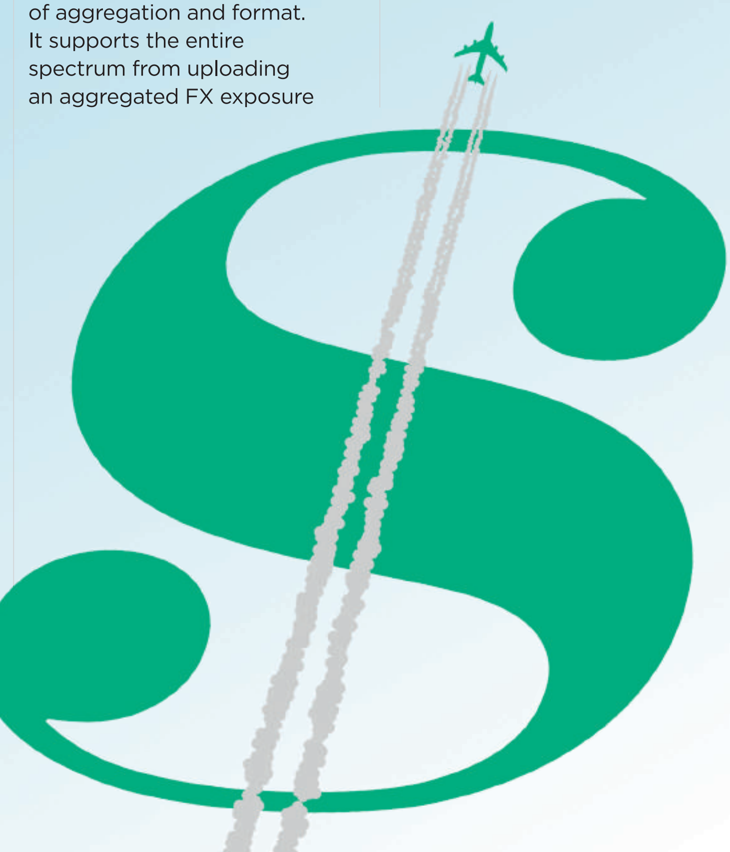
Executing deliverable or non-deliverable forward contracts by traditional email and phone trading turned out to be too cumbersome and error-prone to manage the FX risk effectively. Lastly, the accounting treatment of hedging instruments posed a challenge, since there was limited expertise at Yusen Germany on relevant accounting standards, such as the relatively new IFRS 9 on financial instruments. Accordingly, there was a preference to engage only in short-term forward contracts that settled before month end closing in order to avoid any entries in the financial statements. Ultimately, these attempts did not prove to be effective.

Technology benefits

In April 2018, Yusen began discussions with Deutsche Bank to explore options to address Yusen's currency exposure. Maestro is an automated FX solution embedded in the online banking environment of Deutsche Bank as a separate application, which provides complete execution transparency while simultaneously reducing the operational risk of traditional forms of execution. Essentially, the application allows each client to upload or manually enter information regarding their FX exposure, which is then translated by the application into currency hedges. The approach is flexible and adapts to information provided at different levels of aggregation and format. It supports the entire spectrum from uploading an aggregated FX exposure as a single-line item to many individual sales transactions.

Likewise, there is no limitation as to the frequency of the upload and modification of the FX exposure; monthly, weekly, daily and technically even hourly modifications are possible. Additionally, rules can be defined in order to put in place a comprehensive level of security as well as a high degree of automation.

In order to gain expertise and a sufficient level of comfort, Yusen Germany decided to adopt the application in two stages. In the initial stage, only accounts receivable (AR) denominated in USD with a large third-party client were hedged using Maestro. In the second stage, Yusen Germany advanced to comprehensive semi-automated balance sheet hedging of the entire USD exposure considering third-party AR and accounts payable (AP), intercompany AR and AP, as well as cash.



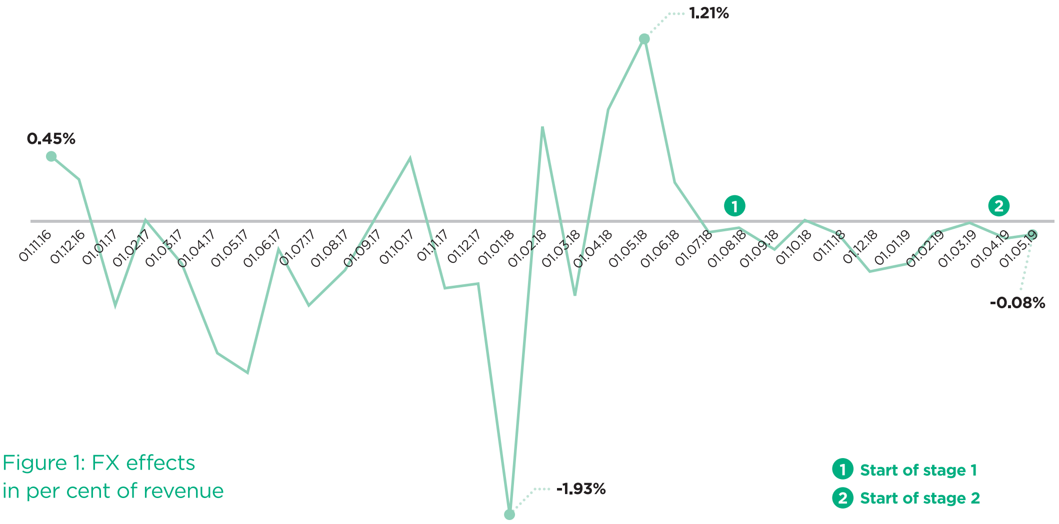


Figure 1: FX effects in per cent of revenue

Stage one: hedging third-party AR

The implementation started with the hedging of a large third-party business denominated in USD. The underlying business was based on monthly invoicing with 60-day credit terms. Whenever an invoice was issued in Yusen's operating system and interfaced into the accounting system, the corresponding AR on an individual invoice level were uploaded to Maestro and converted into forward transactions, thus providing immediate protection against USD movements. The trades are made available by the application for review and approval. Depending on the client's preference or internal regulations, a tiered review and approval scheme can be put in place.

In order to provide flexibility and maintain protection against currency movements, Maestro would always settle all open trades at month end and roll-forward trades by means of a currency swap until the subsequent month end. Accordingly, Yusen Germany is always kept in a fully protected position, even if the collection of receivables is delayed. As and when a receivable is collected, the corresponding USD amount can be drawn down from the existing hedge by means of a swap. The benefit of the drawdown is to manage liquidity and to claim back the interest rate differential from the date of the collection until month end when the forward would settle.

The logic of this approach implies that all trades settle at month end. The only trade open from one month to the next is the aggregate roll-forward trade, conducted at the end of the month. All hedges are settled and rolled forward by new swap transactions. Consequently, there is no requirement for a comprehensive hedge accounting using mark-to-market reports.

Stage two: comprehensive balance sheet hedging

After about six months, it was decided to take the next step and advance to full balance sheet hedging with the support of this solution. In order to provide protection for all USD transactions, it was decided to hedge the net amount of AR third party, AR intercompany, AP third party and AP intercompany.

The corresponding amounts were extracted from the accounting system, netted to an individual USD figure and uploaded into the application. The USD cash position of Yusen Germany's USD bank account with Deutsche Bank was supplied to the app via an internal data-messaging service. The net AR/AP position, the USD liquidity in the bank account, as well as any pre-existing hedges, constitute the overall USD exposure. In order to be fully hedged, all the before-mentioned exposures should be zero.

Once the netted AR/AP position is uploaded by Yusen Germany, the application calculates a hedge adjustment, taking into consideration the cash position and existing hedges. The hedge adjustment is made available as a trade in the application that can be reviewed, amended and approved by the authorised users at the company. The hedge adjustment can be calculated and effected at any time. Currently, a weekly process has been adopted.

The financial reporting shows clearly that the hedging approach is effective. The FX effects in per cent of revenue could be reduced greatly (see Figure 1 above).

Further improvements shall be made by extending the hedging programme to other currency exposures as well as by increasing the upload frequency.

Regulatory and reporting requirements

It must be pointed out that there are various regulatory and reporting requirements to be considered, such as IFRS 9 as well as European Market Infrastructure Regulation (EMIR) requirements. EMIR is a body of European legislation for the regulation of over-the-counter derivatives. Non-financial organisations, such as Yusen Germany, that only enter into derivative contracts with the intent to reduce risk, are likely to be exempt from many of the requirements of EMIR. However, for transparency, non-financial counterparties must comply with the requirement to report to trade repositories. At Yusen, it was decided to delegate this requirement to Deutsche Bank. In order to ensure full compliance with relevant regulatory requirements, it is recommended to consult a specialised accounting firm.

Summary

The implementation of an automated hedging solution has significantly reduced the impact of FX gains and losses at Yusen. Once implemented, the workload and complexity of the solution is relatively minimal. The implementation of the hedging process requires focus and specialist advice, especially if there is limited experience with hedging solutions and FX theory. It is recommended to build a project team with internal and external stakeholders and to schedule regular workshops, including face-to-face meetings.

Acknowledgements: Xavier Szebrat and Jay Hoffman have contributed to this article. The author would like to express his sincere gratitude to Detlef Hufen, Xavier Szebrat, Jay Hoffman and Felix Wacker-Kijewski for making the FX project at Yusen Germany a success.

Stefan Karenfort is CFO at Yusen Logistics Germany

ALL THE

AUTHENTIC ANGER CAN BE TRANSFORMATIONAL FOR PROBLEM-SOLVING WHEN EXPRESSED IN A HEALTHY AND CONSTRUCTIVE WAY. BUT IT GETS A BAD RAP. AMANDA BRADLEY LOOKS AT THE GOOD AND THE UGLY

Getting angry at work can leave you feeling like the Incredible Hulk. How can we harness anger so it can tell us something useful, rather than derailing our day and possibly even our careers? What can you do when you realise too late that you've hulked-out at work? And what do you do when somebody loses it with you?

Understanding anger

Anger is important. It makes us act. Picture the scene: something has made you so cross that you make some calls, crack some heads together and then feel sated and justified because your intervention got everything fixed. Thank you, Anger!

Anger activates the amygdala, the brain's emotional hub. Adrenalin chemicals are released, triggering the fight or flight response. This pushes blood into our limbs, tenses our major muscles, raises our heart rate and focuses our attention on the thing that triggered our anger. It becomes all we can think about. The chemicals we've produced are long-lasting. You might succeed in ignoring that physiological response at work, but then when you get home, the poor cat gets both barrels.

Calming the physical reaction

When we think about anger as a physiological response, it's easier to see that ignoring it won't work. The amygdala is part of the least-evolved part of our brains, the limbic system. It can need help from the prefrontal cortex to regulate itself. If the prefrontal cortex tells the limbic system to put a lid on it, that lid will blow off sooner or later, possibly inappropriately.

Instead, begin by attending to your physiological response. Take a deep breath. If you can take a deep breath, it means you're not running from a tiger. It tells the amygdala that the danger has passed, and it can stop making adrenaline. The breath encourages blood back from your running muscles to your major organs. Massaging major muscles also helps, but rubbing your backside in the office can earn you some funny looks. Instead, try walking around to move the blood back.

"But I can't leap up mid-meeting and take a walk," I hear you cry. Agreed, that could be tough. But you can take the deep breath, give yourself a stretch, even stand up – it all helps move the blood back to where it should be. Then, when the meeting's done, take the walk to make sure you're back to level.

Even remembering to do this will start the process of engaging the prefrontal cortex and stop the limbic system from

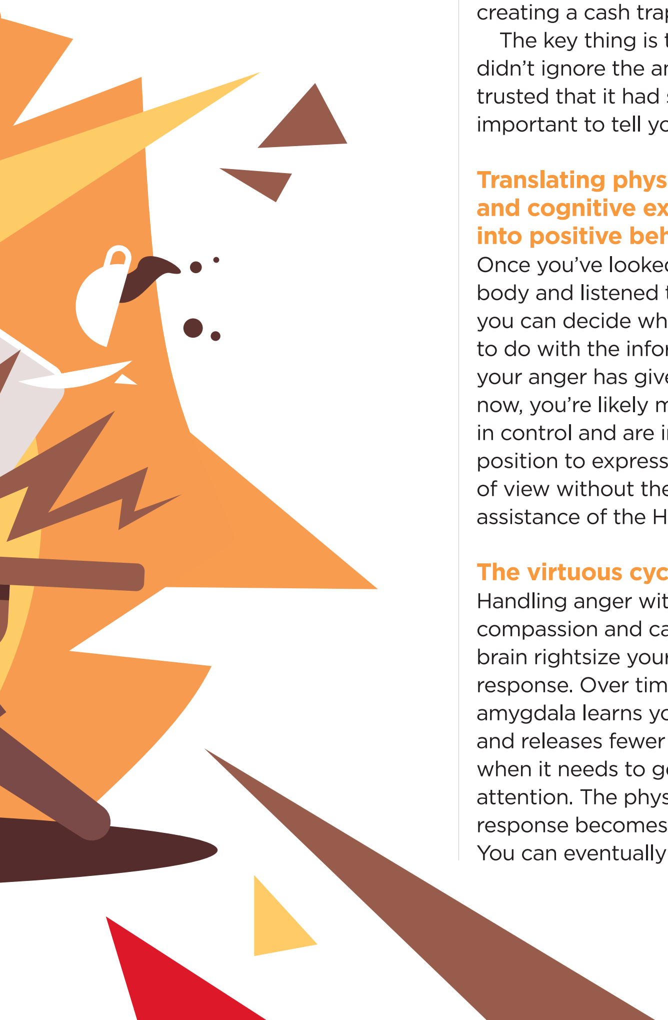
RAGE

taking control of the situation and turning you green.

The cognitive experience of rage

Your body is attended to now, but what triggered the rage? Considering what enraged us is vital.

Imagine you're still in that meeting. Someone from tax has just told you the treasury aspects of the deal are unimportant. Tax needs will take precedence. Logically, you know that's likely true. But somehow, it's got you broiling.



Grab your notebook and pen, scribble down what made you cross and then think about why. Try free-associating. Write the first thing that comes to mind. You might discover "I feel like I'm five and my big brother just told Mum they're more important than me, again". Or you might realise "we're overlooking the new exchange controls". Listening has given your more enlightened brain space to re-engage. If it was about your brother, you have spotted one of your triggers. Look after yourself by reminding yourself that everything's OK. And if it wasn't about your brother, you might have saved the company from creating a cash trap.

The key thing is that you didn't ignore the anger. You trusted that it had something important to tell you.

Translating physiology and cognitive experience into positive behaviour

Once you've looked after your body and listened to your mind, you can decide what you want to do with the information your anger has given you. By now, you're likely much more in control and are in a better position to express your point of view without the unwanted assistance of the Hulk.

The virtuous cycle

Handling anger with compassion and care lets your brain rightsize your emotional response. Over time, your amygdala learns you're listening and releases fewer chemicals when it needs to get your attention. The physiological response becomes less severe. You can eventually become one of those frustrating yet admirably zen people who say, "That isn't sitting right with me. I think there might be something we need to consider here." And because you're not known for emotional outbursts and you trust yourself when you speak, people will take notice.

Fixing the fallout

Let's say you didn't manage to stay in control. You've been in the meeting, tax said what they said and suddenly, you're sitting there in cutoffs and a ripped shirt wondering why the building's collapsing. What do we do when our anger gets the better of us? This is where we need to get honest, fast. Shame will be doing its best to clean up the situation by telling us we're way worse than we really were, so we might as well leave, or that it was all everyone else's fault, so they deserved it.

One option puts a stop to the shame cycle. Apologise. Unreservedly. If you lose your cool at work, raise your voice or blow your top, you apologise. Apologise and turn that apology into action. Change your behaviour. You might need to talk to a coach or mentor to get a grip on your anger. But only by admitting it to yourself and others can you start to fix the fallout.

What about when people Hulk-out at me?

This can be tough, especially if the Hulk in question is your boss. The first thing to do, as always, is look after yourself. Their anger is their problem, not yours. Anger is contagious. Stand firm and keep calm by telling yourself that you're OK and you don't need to respond. Again, go with the deep breath. Take care of your amygdala. Then try to exercise compassion. Depending on your working relationship, take the risk of asking them if everything's all right. Be human. Try and help. Meeting anger with compassion will often diffuse it and lead to an honest and authentic conversation. It may even increase trust between you.

If the person is justified in their anger and you have done something that needs fixing, you may just need to suck it up for now and fix it. But once the dust has settled, you may want to think about helping that person understand their impact on you. Look at the quality of your working relationship to guide you, rather than hierarchy. Some of my most senior clients tell me they miss people telling them the truth about their working style. Be brave. Give the feedback. For help with feedback, see the Deals Edition.

And finally, if rage is that person's modus operandi, you may need to talk to HR. We are all entitled to work in environments free from fear. The angry senior leader that you're afraid of could be bullying and harassing other people, too. In these instances, there's little you can do except talk to HR to get help. If that doesn't change things, remember you have a choice and an excellent qualification that can be useful to many companies. Pick up the phone and ring a recruiter.

So, in short, anger is dangerous when it's ignored, both as a giver and receiver of rage. But if we listen to anger and look after our physiological response, we can discover that it has a lot to tell us.

Amanda Bradley FCT is an executive coach at Liberty EQ

SPEAKING FROM EXPERIENCE...

TREASURY TRAINING AND BACKGROUND BRINGS INVALUABLE EXPOSURE TO BOARD AND GOVERNANCE ISSUES, AS DAVID TILSTON EXPLAINS

As a non-executive director (NED) and former CFO, I draw heavily on the skills and experience I learned as a treasurer. The purpose of this article is to provide some context so that those undertaking a treasury (or treasury-related) career can appreciate the potential long-term value of their current experiences.

What does the NED/CFO actually know?

For CFOs particularly in larger, more complex organisations, it can be challenging to get full mastery of all the relevant detail. Divisional monthly reports are filed, monthly meetings held, strategic reviews undertaken and the key messages highlighted and considered. Hopefully, the subsidiary management teams try to make this as clear as possible, but sometimes the sheer volume of data or inability to communicate concisely can make the key challenges facing the subsidiaries somewhat opaque.

Opacity increases for the NED where the executive team filters the information further in order to produce concise papers for consumption at a board meeting over a few hours.

Consequently, the NED can be called to participate in taking decisions where the underlying factors may be complex and ambiguous, and the risks not completely evident. In some ways this is akin to the treasurer hedging FX exposures in a dynamic market where the forecasts of exposures are approximate at best – a decision needs to be taken despite the lack of certainty.

So, what are some of the core skills a former treasurer might find helpful in a NED role?

Cash forecasting

Very often economic success can be traced back to the generation of cash, and the mantra of 'cash is king' can never be overemphasised. As an illustration, an engineering and project management company could find that one of its divisions has problem contracts due to its consumption of cash, and the divisional management might take several weeks to pin down which contracts were off-track if it relied on management accounts. As another example, one might identify that an overseas subsidiary was imprudently building stock levels to maintain production efficiencies (by spreading fixed costs over larger production runs than were required), as the 13-week cash-flow forecast showed cash consumption rather than generation, and this information would enable the central team to take a decision early to instruct the subsidiary to reverse its stockbuild.

As a NED I am always focused on our net debt levels and what is driving change. From an investor-relations perspective, shareholders generally want to understand how much trading profitability is actually being converted into cash that can then be either reinvested or paid out as dividends. Cash and net debt is therefore always a focus of attention.

Anyone with a treasury background will generally have a 'feel' for what is happening to cash on a daily basis, and whether it is consistent with short-term expectations or not. This contrasts with a more 'accounting' mindset where the production and interpretation of the monthly management accounts is the typical trigger for investigating variances.

Corporate finance theory, shareholder value and the cost of capital

Although this can be a broad subject, an understanding of corporate finance theory, the cost of capital and how projected long-term cash flows can drive shareholder value is critically important to the successful financial management of an organisation.

As an example, a speciality chemicals manufacturer built (with the help of an external consultant) a simplified financial model of the projected long-term cash flows of the group based around a number of core assumptions. They were able to adjust the assumptions such that projected discounted cash flows produced a net present value (NPV), which was similar to the market capitalisation of the firm at that stage. The board could use this model to assess what the best options were for increasing the share price over time by flexing the assumptions. What sensitivity analysis around the key assumptions showed was that the business could create significant value by adjusting its pricing strategies, whereas the previous understanding was that the business should concentrate on volume growth alone. As a result, the company implemented a volume growth strategy across certain customer segments and pricing strategies across other segments that led to a material increase in profitability in subsequent years.

A further example relates to a commercial vehicle hire business that held a large asset base of vehicles, which were let out on short-term hire. The fleet was managed using accounting information to take its key

decisions. Internal analysis was undertaken, which looked at the cash characteristics of the vehicles hired and at what age they should be disposed of to maximise NPV per vehicle. The conclusion was to change the holding periods of certain vehicles by launching a fleet optimisation policy, which ultimately led to significant cash generation to aid the growth of the group to the benefit of shareholders.

The above two examples show the benefit of applying basic corporate finance theory to good effect in practice.

Stakeholder management

Many treasurers cut their teeth in managing external expectations with external stakeholders in their dealings with banks, other debt providers, suppliers and credit rating agencies. Managing expectations and communicating performance is one of the core requirements of a CFO, particularly in a listed plc environment. NEDs will also want to ensure that any expectations are backed up with solid forecasts and the investor community is appropriately briefed within regulatory requirements. For private equity-backed companies, ensuring that expectations are appropriately managed and there are no 'hostages to fortune' is important, especially when there is a syndicate of interested parties. Consequently, stakeholder management is a core skill and can be further developed depending on the career aspirations of the individual.

Risk management

Risk identification and management is a competency required of all treasurers operating in dynamic markets, as noted in the FX trading example mentioned above. The treasury community is typically focused on a limited number of discrete risks (ie FX, interest rates, cash volatility). This is done within a generic framework, which can be applied in non-treasury circumstances that require risk identification, evaluation and management within a risk appetite, which can be clearly articulated. Therefore, this generic risk framework can be applied to operational risks, strategic risks and other risk areas – although the input of relevant internal functional experts will be required.

Financial covenants

Another sensitivity a NED will often have is understanding the degree of financial flexibility a group may have, and this is often circumscribed by its financial covenants, which impose limitations on its activities beyond certain quantified levels. This also feeds into decisions on the degree of risk an organisation is able to bear on its own account.

Policies and procedures

Corporate governance has become an increasingly important theme in the management of organisations over the past decade. This inevitably drives the requirement for clearly articulated policies and procedures in certain key areas, and an ability to monitor outcomes and provide early warning where necessary. Within the treasury arena, the need to follow a generic risk management framework automatically means that treasurers will be familiar with such disciplines, and are well placed to assess corporate governance processes (or at least ask the right questions) as they are applied across a broader range of functions than purely treasury.

Conclusion

Having sat the ACT exams, I know how challenging they are, but I also now appreciate the long-term benefits of such structured study. This theoretical basis, combined with the practical experiences derived in a treasury or treasury-related environment, can provide an important foundation as treasurers and other finance professionals add to their experiences as they build their careers over the longer term.

David Tilston is a non-executive director and former CFO of a number of listed plcs

ACT DIARY DATES

ACT EVENTS

■ 13 November, London

ACT ANNUAL DINNER

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treasurers.org/annualdinner

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Achieving the right balance between work and life has long been hailed as the key to employee wellbeing and productivity. Join us on 27 November to explore evolving attitudes to work-life balance and what they will mean for the workplace of the future.
treasurers.org/diversity-and-inclusion/life-balance-19

■ 4 December, London

ACT WORKING CAPITAL CONFERENCE

Dedicated exclusively to this aspect of treasury, the ACT Working Capital Conference has established itself as a key meeting point for more than 200 treasury and finance professionals to gather and discuss topical working capital issues that affect corporates and their supply chains.
treasurers.org/working-capital19

■ 26 March 2020, London

THE TREASURER'S DEALS OF THE YEAR AWARDS

If your treasury team has completed a complex or innovative transaction in the past 12 months that stands out in the market, or you know of someone who has, enter *The Treasurer*'s Deals of the Year Awards 2019. The awards play a crucial role in championing the outstanding work of treasurers and their contribution to their organisation's success. Enter the awards at **treasurers.org/deals-of-the-year19** (Closing date is 18 November 2019.)

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ACT ANNUAL CONFERENCE

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+ To attend an ACT event or webinar, book online at treasurers.org/events

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HOW TO GET THE MOST OUT OF TREASURY NETWORKS

ANDREW BURGESS TALKS TO *THE TREASURER* ABOUT THE VALUE OF TREASURY NETWORKS

Andrew Burgess has been The Association of Corporate Treasurers' (ACT's) Treasury Network ambassador for Switzerland for more than seven years, helping to organise events in Zurich. These have ranged from technical treasury events to career events, pub quizzes and even a tour of FIFA!

"I started working in treasury in 2007. I got my first role after completing a Finance Master's from Robert Gordon University in Aberdeen. A headhunter had contacted one of my course tutors who put me forward for a role at Alstom. They had a role in Switzerland and were looking to hire an English-speaking treasurer willing to learn – and I was open to relocating to Switzerland. I stayed there for 12 years and ultimately became treasury FX manager.

"I completed my AMCT in 2015. Although my Master's contained a lot of treasury content, I wanted to firm up my knowledge and expand my range of technical skills. Having AMCT after my name helps me to do this. Ongoing membership helps me to keep up to date with the latest issues affecting the treasury profession – and I particularly like the interaction and networking it provides, not only through the regional network, but also at the annual conference and other events.

"I became regional ambassador as I wanted to give something back and thought volunteering would be a great way of doing this. The ACT was looking for an ambassador in Switzerland, and I was keen to develop a local network. I particularly like being involved in setting the agenda for meetings and being able to discuss issues I find interesting with fellow members.

"My favourite event to date has been the careers and leadership evening – it was a great way to find out what's been happening in the treasury recruitment space, and also to develop leadership skills from experienced experts.

"Once an event is over, I start to think about what to do for the next one. It can be stressful to think about topics and speakers, and I now have a greater admiration for anyone who is a professional events planner!"

Final thoughts…

"Treasury is a specialist area, and that means it can be quite isolating within a firm. Getting out to find you have peers with similar issues (and solutions) is useful. And networking in your community provides useful contacts and perspectives."

Andrew Burgess is a corporate treasurer based in Switzerland

ACT TREASURY NETWORKS

Our Treasury Networks (formerly called Regional Groups) are made up of members, students and other finance professionals, who help plan and support local events. Whatever stage you're at in your career, Treasury Networks will help add to your skills, keep you up to date with the latest treasury issues, provide a forum for discussing treasury issues and offer networking opportunities.

By running events in local areas, we bring our activities closer to you. These provide an opportunity to develop your technical, professional and business skills. They also enable you to build your network and to develop contacts with members in your local area.

Make the most of your membership by getting involved with the events in your area. Find out more at treasurers.org/my-membership/treasury-networks or contact the membership team on membership@treasurers.org

We have networks in Europe, the Middle East, the US, Africa and Asia, and we look forward to welcoming you to a Treasury Network soon.

BUILDING AN INCLUSIVE CULTURE

ENVIRONMENTS THAT REWARD AND RECOGNISE ALL EMPLOYEES THRIVE AND ARE REWARDED WITH HIGH LEVELS OF ENGAGEMENT. TERESA BOUGHEY SUGGESTS WAYS THAT CORPORATES CAN MOVE TOWARDS THAT GOAL

Organisations spend thousands, even millions on diversity and inclusion programmes only to discover that nearly a third of initiatives designed to promote a more balanced workplace fail to gain traction and deliver meaningful change. It's hard to bring about change, particularly when it involves a shift in behaviours and mindsets – not to mention breaking ingrained tradition.

What organisations often fail to address when it comes to creating an inclusive culture is that this won't be achieved via a one-off initiative. Nor is it solely the role of the human resources department or the leadership team (although leadership does have a significant role to play). It's the role and responsibility of everyone and requires a sustainable, holistic approach, whereby everyone understands the role and contribution they can make.

Your company's inclusion journey will (and should) be unique. What works for one company may not be right for yours. What I offer here are four routes you may wish to explore.

1 Credible leadership

You may be thinking: 'I can't influence the leaders in my organisation, so this doesn't apply to me'. Wrong: a simple definition of leadership is the art of motivating a group of people to act towards achieving a common goal. So, at some point in your life or career, you will be a leader. You will have inspired others to follow you, you will have educated others, you will have championed something you are passionate about so much so that others followed you, and you will have listened and shown empathy towards others. These are just some of the traits of great leaders.

What is more, when it comes to creating an inclusive culture, your organisation needs credible leaders, leaders who recognise the value that a diverse workforce brings and the different ideas that it generates, who are authentic, who are willing to show vulnerability, reaching out for help to fill knowledge gaps, galvanising input from all, championing ideas yet allowing others to step into their own brilliance. While this might be their role, everyone has a role to play in creating great leaders. If they don't display inclusive behaviours, you may need to find a way to highlight the impact that behaviour has on you or your organisation's culture. If they lack knowledge and an awareness of the challenges faced by under-represented groups, educate them and invite them to lunch or a forum meeting so that they can see, feel and hear other perspectives and create solutions for change.

Leaders need to understand and be aware of the impact that they have when it comes to organisational culture. They need to recognise how their leadership style and decision-making impacts others. Equally, employees need to feel safe to be able to bring themselves to work and have open and honest conversations about their experiences in the workplace, which brings me on to my next point...

2 Company values

We can all think of an organisation whose company values we admire, values that are truly lived through its people, which have a bigger purpose than profit and might even align with one of the UN Sustainability Goals[1]. However, this isn't the case for all organisations. For many, the company values are created in isolation without involvement or collaboration with the very individuals who will be expected to role model them every day. They might be written down somewhere, possibly in a staff handbook, which at best is given to employees when they first join a company never to be referred to again.

Core values that sit well with inclusion could be 'openness, honesty, courage, respect, diversity and balance'. These are in fact Disney's corporate culture values. The company encourages staff to share these values with each other and when interacting with customers, and expects them to permeate the organisation. By spelling this out to every team member at induction stage, it clarifies what it expects from its staff.

It is also important to regularly review your company values and ensure that you consistently weave them into everything you do. As an organisation grows and matures, company values may change, too – which is a good thing. Involve your people and make sure your core values reflect your actual values, and how your organisation operates, because when it comes to creating an inclusive culture, your company values

When it comes to creating an inclusive culture, your company values and how they are brought to life will set you apart from your competitors

and how they are brought to life will set you apart from your competitors.

3 Building communities

When you make a commitment to embracing inclusivity and diversity, it's important to not only look to where you focus your attention internally, but also externally – in particular, how you engage with the community within which you operate. Take a moment to look around you and tune in to the surrounding socioeconomic environment. As part of your inclusion journey, make a commitment to build strong communities. This might involve exploring ways in which you can fund programmes in more deprived areas locally, getting involved in sporting activities, sponsoring school education and enabling staff members to participate in mentoring others. Every community is brimming with individuals who are truly inspirational – invite them to come into your organisation, enable them to share their story, and to educate others and create a platform that enables your company to celebrate the accessible role models who are in front of you each and every day. By providing a route for everyone to articulate their desires, dreams, hopes, fears and challenges, it allows others to resonate, connect and create a sense of belonging. It may also spark something inside other people that inspires them to believe in possibilities, too.

4 Engage with your supply chain

This may not appear to be an obvious place where your company can make a tremendous impact when it comes to diversity and inclusion – but it can, and it should be an area of focus. More and more organisations are being challenged around their approach to diversity and inclusion when it comes to responding to tenders. To be clear, this isn't about being compliant and reporting gender pay data. This is about challenging your suppliers to show their approach to diversity and inclusion. What is the balance of their workforce? Are they disability confident? What is their approach to making reasonable adjustments? If you operate within the UK, then check if they are committed to paying their contractors the real Living Wage or above. Finally, do they understand your diversity and inclusion strategy? How does having them as delivery partners move you closer towards achieving your desired culture and working environment?

Supply chain of course isn't a one-way process. While it's easy to scrutinise the diversity and inclusion practices of other companies, remember that you might be asked to demonstrate your commitment to diversity and inclusion, too.

Many agree that creating an inclusive workplace culture is the right thing to do. But in truth, they may not fully understand what that means, and rarely (if at all) acknowledge the role and contribution that everyone plays. It's also important to recognise that not every inclusion initiative will be right for your organisation, and it is all too easy to become seduced by the wonderful things others are reportedly doing. What is important is that individuals within organisations participate in diagnosing where the organisation is now and identifying what you collectively need to focus on in order to bring about your desired change.

Exploring some of these routes may just spark some inspiration and create an opportunity for you to start raising awareness, but I would encourage you to stretch this further and consider what's in it for you. After all, inclusion starts with 'I'.

1 sustainabledevelopment.un.org

Teresa Boughey is a diversity and inclusivity specialist and author of *Closing the Gap: 5 steps to creating an Inclusive Culture* (Rethink Press, 2019)

"THE FIRST THING I DO IS MAKE A TO-DO LIST"

ISABELLA FISHER, TREASURY ANALYST AT SHELL INTERNATIONAL, TALKS ABOUT THE RIGOURS OF WORKING TWO ROLES IN A LARGE TREASURY FUNCTION

Currently I have two jobs: I am a treasury analyst and a front office analyst.

The job of a treasury analyst encompasses a few different duties. Performance management on Shell's cash and debt is a key responsibility, which entails reporting the group's cash and debt to the treasurer and CFO on a monthly basis. I support the funding manager with variance analysis of actual performance against the annual business plan and forecasts, to track the group's performance. In terms of treasury risk, my main focuses are on assessing the credit risk of banking counterparties and monitoring the group's potential exposures to external and indirect counterparties.

The front office analyst role mainly surrounds the performance analysis of the dealer's execution, with the aim to propose improvements in dealing outcomes for both FX dealing hubs (London and Singapore), to achieve best execution. There is a heavy focus on hit ratios, risk transfer, actual vs expected spread cost and the performance of algorithms on a currency pair basis. The operational part of the role entails the management of our day-to-day collateral payments, executing internal FX and money market deals.

Ticking off the to-do list

Balancing two jobs can sometimes be overwhelming, so the first thing I do is make a to-do list to ensure I achieve my deliverables.

The liquidity and FX department is fairly operational – my day is structured around the daily operational tasks that need to be completed. From there it depends on what work day of the month it is as I have reports and assessments to conduct on specific days. For example, one of my tasks is reporting cash flow to the vice president of treasury operations, the group treasurer and the CFO. The figures get sent the morning the report is due, thus giving me a few hours to reconcile the numbers, understand the story behind the movements in group cash and debt by speaking to teams in various countries, and producing the report.

In the lead-up to the monthly funding meeting with the treasurer, I conduct variance analysis of our annual and quarter plan, latest estimate and actual performance figures. Again, tracking the group's performance entails understanding changes in figures in a quick turnaround period.

Away from number crunching, I sit on the committee for the Finance Graduate Network and the UK Finance Society. This involves planning regional events and onboarding new graduates. For me it is important to: make sure graduates feel supported; aid development through organising events; and give back to the community by organising volunteering days.

The operational part of the role entails the management of our day-to-day collateral payments

Tackling project work

Working in one of the largest corporate treasuries in the world, the project work surrounds deep-dive analysis into potential credit exposures under different scenarios for the group treasurer. I enjoy undertaking project work – it is interesting and involves working with different teams and businesses that I would not have the opportunity to in my day-to-day role.

Signs of success

Achieving all my deliverables is definitely a sign of a successful day, especially those that have a quick turnaround time. Also, if an event I have organised for the team, Finance Graduate Network or the UK Finance Society has been a success, I know it has been a good day in the office.

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