The Treasurer

TREASURY EXCELLENCE AS STANDARD

THE MAGAZINE OF THE ASSOCIATION OF CORPORATE TREASURERS

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TREASURY EXCELLENCE AS STANDARD

SUSTAINING SUSTAINABILITY

As environment ministers and climate finance experts descend on Baku, in Azerbaijan, for the UN COP29 summit, the scene looks set for the toughest round of negotiations since the 2015 Paris Agreement. At the same time, the world is gearing up for a new resident in the White House – Donald Trump will become President of the United States for the second time, and it is widely expected his term in office will bring a reduction in climate change regulation.

So where does this leave treasury, which has helped drive the increasing prevalence of sustainability finance? This question is tackled by Lawrie Holmes in our cover feature – how is momentum maintained in an environment of geopolitical and economic uncertainty, where accusations of greenwashing are making corporates question how sustainable their policies actually are? The good news is that there is still an appetite for sustainability finance, both among investors and treasurers. The less good news is that there are still roadblocks, partly as lenders, investors and corporates collectively climb the sustainability learning curve, and partly because of pushback against the fears of greenwashing.

Gradually, however, we are moving towards a clearer idea of best practice and, in time, that will become the norm. The trouble is, we might run out of time before that norm is established.

At the same time, and again as a result of geopolitical instability, treasurers are reviewing their supply chains. This is the focus of our second feature, which weighs up how treasurers can make their supply chains less vulnerable to disruption. As always, the answers are not straightforward – increasing digitalisation of world trade is allowing greater choice, and has arguably reached the point where near and far shoring of suppliers becomes possible. Such diversity allows for greater resilience and flexibility in a corporate's supply chain matrix.

What is interesting, though, is how technology will play an increasingly important role in supply chain finance, especially in multi-tiered chains where the lower tiers are becoming increasingly easy to finance.

At this time of year, we inevitably look towards the next – so, what will 2025 hold for the treasury community? The more pessimistic might say they can hear the galloping hooves of the four horsemen of the apocalypse more clearly than ever. Others are more optimistic, pointing to how resilient businesses have been in the past when faced with innumerable challenges.

Finally, the ACT hosted its inaugural diversity and sustainability awards in October, and it was my pleasure to catch up with the winner of the Rising Star award, Kimran Virdi. Her enthusiasm and dedication to improving gender equity leaves one with a feeling of real optimism.

Phil Smith

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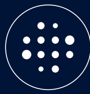
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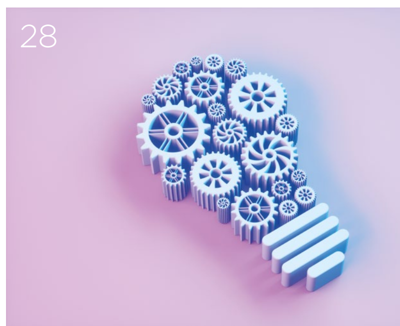
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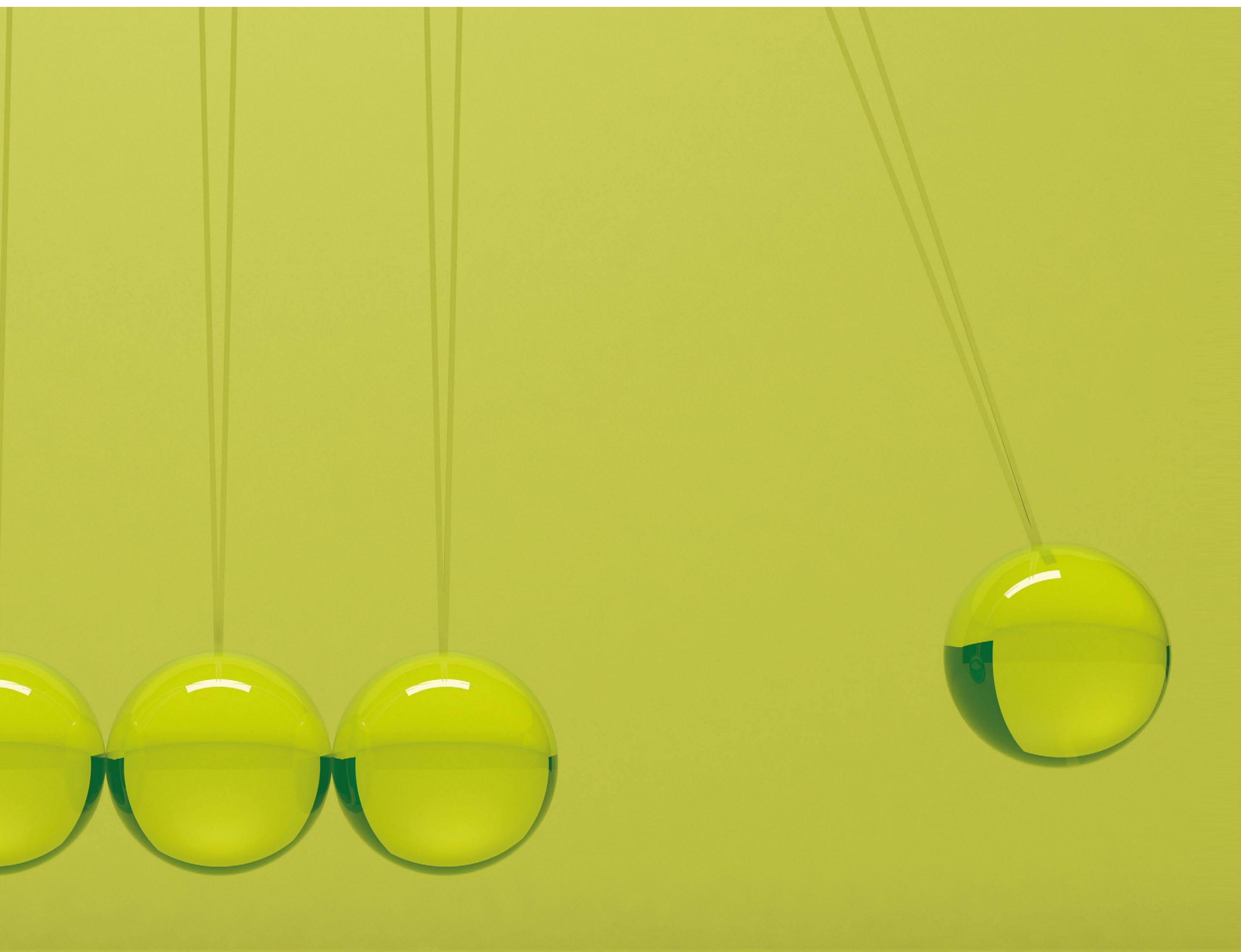


SUSTAINING SUSTAINABILITY

Corporate appetite for green financing is continuing apace, despite changing ESG perspectives. What does that mean for treasurers, asks Lawrie Holmes

Few would disagree that green finance has grown at a rapid rate in recent years. But is take-up for green bonds, sustainability-linked loans and other sustainability-related financing options starting to tail off?

Sean Kidney, CEO of the Climate Bonds Initiative

Sean Kidney, CEO of the Climate Bonds Initiative (CBI), a non-governmental organisation that seeks to mobilise global capital for climate action, says a trillion dollars of green finance will be issued globally this year, the first time the symbolic milestone has been reached.

And he insists the corporate appetite for green finance shows no signs of slowing down.

“If I could find 10 trillion dollars tomorrow, I could place it,” says Kidney. “We see enormous levels of oversubscription for green bonds; the green bond market will grow about 30% this year.”

“If you look at the share of green or sustainable bonds compared to the overall bond market, it is still relatively small, so I think there’s still a lot of growth potential there, from a corporate and investor perspective,” says Lisa Schopohl, associate professor of finance at the University of Reading.

This view is reflected in the Association of Corporate Treasurers’ *Business of Treasury Survey 2024*, which found a growing proportion of funding being put forward to corporate boards is linked to sustainability. But the survey also identified that levels of concern with ESG topics in general are falling.

This apparent inconsistency may be a result of many organisations having a clear strategy in place “and the shine coming off sustainability-linked finance”, says the ACT.

“Three or four years ago, ESG-related finance was very popular as a way of demonstrating an organisation’s green credentials. With the development of sustainability teams and organisation-wide sustainability strategies, the need to demonstrate ESG credentials through financing has declined significantly, particularly given the considerable challenges or disincentives to the use of such products for many organisations,” the ACT adds.

Stuart Fitzsimmons, treasurer manager of hospitality giant Whitbread, which issued £550m of green bonds in February 2021, says while issuance levels for green bond issuance remain strong, he detects a slight dip in enthusiasm from UK treasurers.

“Maybe three or four years ago, I felt like there was more pressure to do a green issue”

Lisa Schopohl, associate professor of finance at the University of Reading

"My impression is that, maybe three or four years ago, I felt like there was more pressure to do a green issue," he adds. "Now, it feels like it is not a must do in all cases."

Whitbread, which owns the UK's biggest hotel chain Premier Inn, issued the green bonds to support the group's Force for Good Agenda, which, among other targets, has environmental targets, including bringing Scope 1 and 2 emissions to zero by 2040.

He says the issuance has helped to ensure the group is "held accountable for meeting its goals and for lenders and investors to see that". He says the prospect of regulation was less of a motivation in deciding to opt for the issuance.

Defining sustainable

Although the UK's largest companies have been required to include climate-related financial disclosures since 2022, the EU's Sustainable Finance Disclosure Regulation (SFDR), starting next year, will drive greater concerns around ESG in mainland Europe, says University of Reading's Schopohl.

More broadly, Schopohl believes there may be a growing cynicism around greenwashing that might be affecting sentiment. "There may be more concerns around the level of scrutiny applied to green credentials and what investors and corporates are advertising as ESG or sustainable.

"This has led to some debate around what should be considered ESG, and what isn't, and then what investors and corporates focus on," she adds.

But a shift away from a focus on ESG might also reflect a change in corporates' thinking to a more holistic approach, where broad corporate strategy incorporates the ESG agenda.

Katherine Horrell, group treasurer of Sizewell C, the company building a nuclear power station in Suffolk, says: "I always get worried when treasury is the function that's driving ESG requirements to put into its financing. What matters is that the business fundamentally is delivering the ESG requirements as part of its business strategy.

Katherine Horrell, group treasurer of Sizewell C

"The quid pro quo is, if you meet sustainability targets you can get a discount, if you don't you can pay a premium"

"Then I think it should be relatively easy for treasurers to overlay what the business is doing into whatever the financing framework is that they need," she says.

Horrell says challenges may occur where an organisation isn't naturally taking a holistic approach. "It could be quite difficult then if a second party opinion demands you come up with the evidence, as you then have to delve around in the business to find exactly what's going on and ensure the right things are happening," she adds.

It chimes with the approach that Horrell is taking in developing a green framework at Sizewell C, a step towards eventually implementing green financing.

"I can imagine some treasurers are focused on the disclosures on climate change, but because Sizewell C is being built as an independent company almost from scratch, we can have clear deliverables on reporting from day one," she says.

Horrell says that as well as the "obvious one of delivering low carbon energy", Sizewell C's positive impact to the community will be in many areas, including training and skills, as well as net biodiversity gains. "If we align financing terms to the things that we do anyway, and the business is committed to doing, we'll inevitably be reporting on those things. So, I suspect it will just be integrated into what we do," she adds.

Arthur Krebbers, head of corporate climate and ESG capital markets at lender Natwest, says the finance sector is looking more at green financing solutions in the round. "The ESG narrative of a company is starting to get linked to its credit and equity story," he says.

"We're now at a stage in the market where green financing is no longer decoupled from the wider bond and loan market, where growth of the space will be more linked to overall development of these markets."

Meeting challenges

When it comes to the hurdles treasurers face in delivering a green finance package, Whitbread's Fitzsimmons says the time and cost burden for a corporate shouldn't be underestimated.

Initially that can include the costs of green advisory, a second party opinion and drafting a green framework, and then periodic reporting and verification. There are also wider potential ramifications. "Failure to hit targets could lead to adverse publicity, which is especially problematic for public companies," he adds.

There is also the complexity of issuers not having a joined-up approach, such as treasurers and sustainability officers not working in tandem; a scenario CBI's Kidney says he comes across frequently. "More often than not, a sustainability officer and treasurer have never met," he says.

"Corporations are not used to putting the two things together because it is new territory, and there is effort involved because you have to set up an internal tracking and monitoring programme and then report to market, starting this year.

"A lot of treasurers have been resistant upfront, a lot have put it off for two years. But I cannot think of a single treasurer who, having issued, hasn't become an enthusiast," he adds.

Arthur Krebbers, head of corporate climate and ESG capital markets at NatWest

Joanna Bonnett, the ACT's immediate past president and chair of its Appointments, Remuneration & Audit Committee, who is representing treasurers on the Transition Finance Market Review (TFMR), says there are still roadblocks to green financing.

Of the many treasurers she has engaged with in the past six months, representing a broad church of opinion, a significant proportion were "taking their time to assess whether this is the right opportunity for their organisation", she says.

Bonnett, group treasurer of Swiss oral technology group Straumann, says the cost of many sustainability products remains a factor. "The pricing needs to come down," she says. "Discounts at circa five basis points are still too expensive, more so when taking in the wider costs of green finance."

Gustavo Brianza, managing director, ESG advisory, debt advisory, at NatWest, says that over time discounting is likely to improve for corporates, as ESG elements move more strongly into credit assessments, and if they offer innovative sustainability-linked projects with impactful targets. But he adds that inevitably the pricing will always have a strong link to credit risk profile, given how bank lending models work.

"The quid pro quo is, if you meet sustainability targets you can get a discount, if you don't you can pay a premium," he says. "Usually that premium is economically similar to the discount."

The ACT's Bonnett also asserts that banks are often guilty of not understanding the wider needs on corporates from a sustainability perspective. "They want to be advertising something new and shiny, and therefore they're often asking corporates to sign up to additional KPIs. That's not realistic," she says.

NatWest's Brianza says banks are evolving their approach so that climate and environmental factors are taken into consideration at every stage when engaging with corporates across their portfolios.

"The banking industry is on a collective learning journey. That's also where regulators are publishing papers on best practices they're seeing in the market," he says.

Lawrie Holmes is a freelance business and financial journalist

OLYMPIC EFFORT

The Climate Bonds Initiative has recorded a cumulative volume of $5.1tn in green, social, sustainability, sustainability-linked bonds (SLBs), and transition bonds (collectively GSS+) as of 30 June this year. Aligned with Climate Bonds dataset methodologies and best practice, the findings are detailed in the Sustainable Debt Market Summary H1 2024 with a breakdown of labelled bond markets.

While global interest rates remained higher than had initially been expected going into 2024, global debt issuance climbed to $13.2tn during this period compared to $9.8tn in H1 2023, an increase of 35%. Nevertheless, the GSS+ market is thriving, with new issuers progressively entering the market and volumes set to surpass the annual record of $1tn set in 2021.

$554bn of aligned GSS+ volume was captured in H1 2024 alone, a 7% year-on-year increase compared to H1 2023. Green bonds accounted for 70% of H1 aligned volume, reaching $385.1bn. This was followed by sustainability and social volumes contributing $93.9bn (17%) and $70.5bn (13%), respectively.

Caroline Harrison, director of technical development at Climate Bonds, said: "Sustainable debt markets have exceeded $5tn – a significant achievement. But to prevent climate disaster, we must aim for trillions in annual issuance." She added that businesses globally should take inspiration from France, which has been at the forefront of sustainable finance since the Paris Agreement and made sustainability a key focus of the Paris Olympics."

Near and far

As the debate between globalisation and localism continues, the impact of supply chain finance and trade digitalisation can give businesses the best of both worlds

The importance of supply chains was illustrated recently by two pieces of news. In a tone of barely disguised relief, luxury car maker Aston Martin reported "smaller losses" than expected caused, in part, by supply chain disruption. Meanwhile, Foxconn, the Taiwanese electronics giant, said it would build the world's biggest factory in Mexico to supply tech giant Nvidia with artificial intelligence (AI) servers – a sign, many commentators noted, that it was decoupling from China as a supply chain base.

Since the horror of the COVID-19 pandemic, supply chains and where they are based has become a major issue for big business; even more so as the world goes through major geopolitical disruption. The debate has been dominated by discussion of 'near shoring' or 'onshoring' as companies seek to make their supply chains less vulnerable.

Yet, at the same time, the world is becoming more interconnected through the advances of digital technology. Email and video calls have improved communications; software and the internet of things have improved global visibility of inventory and freight routes. So, what impact could improved technology have on the globalisation-deglobalisation debate? This is no flippant question: supply chains and technology have a symbiotic relationship.

"What we call global supply chains," says Luca Gelsomino, a supply chain finance expert and assistant professor at the University of Groningen, "exist because of digital technologies. Without digitalisation, we wouldn't have global supply chains."

COVID is not the only issue weighing on supply chains. Others include labour problems, transport disruptions in places such as the Panama and Suez canals, and conflict in Ukraine and the Middle East. Perhaps the biggest external influences, however, are climate change and the political tension between the US and China over economic dominance, creating East-West spheres of influence. A recent Thomson Reuters report said that "supply chain disruptions are a constant worry". In fact, the report reveals it is the number one concern of supply chain managers.

Amid this, technology and connectivity are critical factors in global trade, and are closely observed by everyone from academics to bodies such as the United Nations. The UN's *Digital and Sustainable Trade Facilitation: Global Report 2023* notes that global trade, while growing, has been sluggish since the end of the pandemic. It also noted, however, that from 2021-2023 there was "significant progress" in the spread of a suite of 31 digital and general measures aimed at facilitating trade.

Globally, implementation of the sample measures is at 69%, six per cent up on 2021. Nine of the measures are designated 'paperless', ranging from automated customs systems to electronic customs declarations. Globally, their integration also stands at 69%, though they vary from one measure to another.

"Without digitalisation, we wouldn't have global supply chains"

There's good news there, even though it only represents a narrow application of digital tech. But it's not all good news. When the report turns to trade finance, the UN concludes there is a $2tn trade finance gap that "continues to hinder full inclusion in international trade, disproportionally affecting SMEs in developing nations". Or, to put it another way, the potential outer reaches of global supply chains.

Findings of the ICT Development Index, from the International Telecommunications Union, a trade body, may suggest some of the reasons why. A score of 0 on its index means no internet, no mobile broadband and zero data traffic in an economy; 100 means a perfect score.

The world scores 74.8 on the index in 2024, up 3.3% on the previous year. Digital tech is making good progress towards what the ICT terms "universal and meaningful connectivity". But, as the report concludes, the "digital divide" persists: one-third of humanity continues to be offline or making do with only the most basic connections.

If suppliers are offline, finance is difficult to access, and trade continues to be paper-based and expensive to administer. Sellers struggle to talk to buyers.

Rebecca Harding, of the British Foreign Policy Group

MULTI-TIERED SOLUTION

Technology in supply chains is not just about network connectivity and data collection. There are other functions that use it, such as financing, as treasurers will well know.

The UN highlights the yawning gap in supply chain finance, but digital solutions might be able to help. One solution under the spotlight, and the subject of much discussion, is multi-tier supply chain finance, which enables end customers to finance suppliers through several levels. The platforms that provide this tool use blockchain, cloud computing, machine learning and AI to assess credit risk, forecast demand and execute contracts. Mobile phone usage, even in remote areas, is relatively high, giving multi-tier financing real potential to hold together global chains. Yet, as supply chain finance expert Luca Gelsomino says, take-up is relatively small. Many companies have yet to do the groundwork needed to identify the many tiers of their supply chain to include them in financing. For Gelsomino, low usage means big companies have yet to establish the business case for a big swing to a multi-tier financing model. "It's not a technology problem," he says. "It's a way-of-doing-business problem."

That said, Gelsomino detects increasing popularity in some technologies for financing, including virtual credit cards, facilitating faster payment for suppliers and extending better credit terms to buyers. "It's still niche, but it's increasing a lot."

As if to confirm the ICT's finding, researchers at Saïd Business School looked closely at global connectivity in the Network Readiness Index. The index measures a country's readiness for the digital age, looking at the availability of technology, skills, governance and its impact on economies, quality of life and contribution to the UN Sustainable Development Goals. Unsurprisingly, the US comes top, just ahead of Singapore. The UK ranks at number 10, China at 20. Way down at the bottom of the rankings are mostly African countries, with Democratic Republic of Congo, Chad and Burundi occupying the last three places.

Digital connectivity is good, but many people and countries remain either outside or on the fringe of global networks, and out of reach of finance and global supply chains.

As important as all of this makes technology and interconnectedness, there are those who believe tech has, in any case, reached a limit. In their view, tech is an 'enabler', not a driver, of strategic change. According to Gelsomino: "What I think is happening right now is that technology is at a level of development at which it is no longer the driving force for global supply chains moving in one direction or another. There are factors that are much more relevant in shaping global supply chains than technology: geopolitics is the number one force."

Gelsomino is not alone in thinking along these lines. Fred Akuffo, a supply chain partner at PwC, says supply chain strategy is "separate" from the technology. "So, if you're going for a much more regional, localised or near-shoring solution... versus keeping long supply chains with distant vendors... in both cases you need technology."

Akuffo's argument is that supply risks are first identified through analysis, and only then are decisions made about the tech needed to support the resulting decisions.

That's not to say some digital technology hasn't moved on in supply chains, particularly software. In the immediate aftermath of the pandemic, he says the focus was on "resilience", and on what he calls the "illumination", or visibility, of data in all the moving parts of a supply chain.

As time moved on, the emphasis shifted to "modernisation" of systems and software that can provide "decision insight", especially data that helps support the pursuit of sustainability goals or compliance with ESG regulation (the EU is particularly notable for having introduced a wave of new rules demanding checks on issues such as carbon emissions and human rights in supply chains). The technology uses advanced data analytics and AI, and is often integrated into enterprise resource planning (ERP) systems.

"People realised that becoming more modernised in how you run process, and adoption of new technology, means that you can be resilient and consider climate impacts," Akuffo says.

The data can be "financialised" by including unit costs and

other overheads, and the impact on working capital and margins can then be calculated. "That's when we start to get meaningful data," Akuffo adds.

Michael Dominy, a supply chain expert with Gartner, the analysts, also sees new technologies – such as AI and blockchain – making a difference to decisions on "inventory, logistics and supply costs, which are all going to affect things like working capital".

While that sounds like an ideal world, however, the reality of digital technologies may be quite different. In a recent blog, Dominy wrote: "Digitisation is valuable, but it takes time and we often underestimate the challenges of deploying and scaling technologies across the supply chain."

Gartner research found that only 50% of processes required for effective supply chain management are digitised. Timescales for adoption are also difficult to predict. Gartner found that, in 2019, 54% of supply chain managers surveyed anticipated full adoption of internet of things technology within two years. By 2022, only 36% had done so. When it comes to AI, in 2022 29% hoped for full implementation within two years, but, this year, only 26% could say it was "fully deployed".

With those levels of deployment, it is clear that companies still rely heavily on human intelligence. The impact of digital technology on supply chains is comprehensive in some quarters and barely detectable in others, the possibility of widespread end-to-end digitalisation still a distant hope.

"It's really expensive to digitise everything," Dominy says. "People still need to provide the insights and the understanding of what's going on."

More revolutionary movements may, however, be on the way. Rebecca Harding, a consultant and economist with the British Foreign Policy Group, a thinktank, believes there is still scope for digital tech to make huge improvements. Her research estimates up to $1.2tn in additional trade could be triggered by legal reforms that would enable "electronic transferable records". The research looked at 54 countries in the Commonwealth, but she found similar results when looking at intra-Africa trade, where she estimates the effect could be an additional $90bn in business. The records she refers to include documents used in trade finance, such as bills of lading, bills of exchange, promissory notes, warehouse receipts, guarantees, and standby letters of credit.

Fred Akuffo, of PwC

Supported by data on the blockchain, documentation for transactions could be cut to hours instead of weeks and involve major savings. It could also make more modest transactions with smaller suppliers increasingly viable. Harding's research comes with caveats, but it shows promise and suggests digital documentation could have the effect of "creating trade where previously very little existed".

Her point was well illustrated recently. Citi Bank, one of the largest banking institutions in the world, announced at the end of October that it had introduced a digital bill of exchange product that had already smoothed the way for $6bn in trade. Sanjeev Ganjoo, Citi's global head of trade finance, said the technology marks a "groundbreaking shift away from long-standing paper and the wet ink-based practice of discounting bills".

Harding says the move, if widely used, could have a "massive impact on trade". "Anything that is going to reduce costs and make things work more efficiently and help to close the SME trade finance gap – something everybody wants to happen – is going to be a good thing," she adds.

There's no doubt globalisation is changing. Polarisation between East and West, the introduction of tariffs, climate change and other issues have added to the complexity of moving resources around the world. Digital is even a weapon in global trade polarisation, as China recently demonstrated with the introduction of a digital form of the Yuan for cross-border trade, a development viewed by many as a move against the dollar as a reserve currency.

While global trade may be sluggish and supply chain managers move to guard against risk, globalisation remains pretty much in place. A report from DHL concludes that, while connections to China may have diminished, especially with the US, global flows of trade remain, essentially… global. Wholesale regionalisation has not taken place.

Digitalisation in all its forms – communication networks, software, financial solutions and foundational technologies such as blockchain or AI – are playing a role in enabling global supply chains, even if they take on a different shape. Given the finance gap and the potential for digital trade documents, technology still has the ability to network people and territories that are currently outside global supply chains. Globalisation might just spread. Cost and legal frameworks are critical obstacles to overcome. As well as willingness.

Perhaps the last word is best left to Soumitra Dutta, a professor at Saïd Business School and the man behind its Network Readiness Index. "The flow of information digitally across the world is increasing, there are no signs whatsoever that it is decreasing. The world is getting daily more connected."

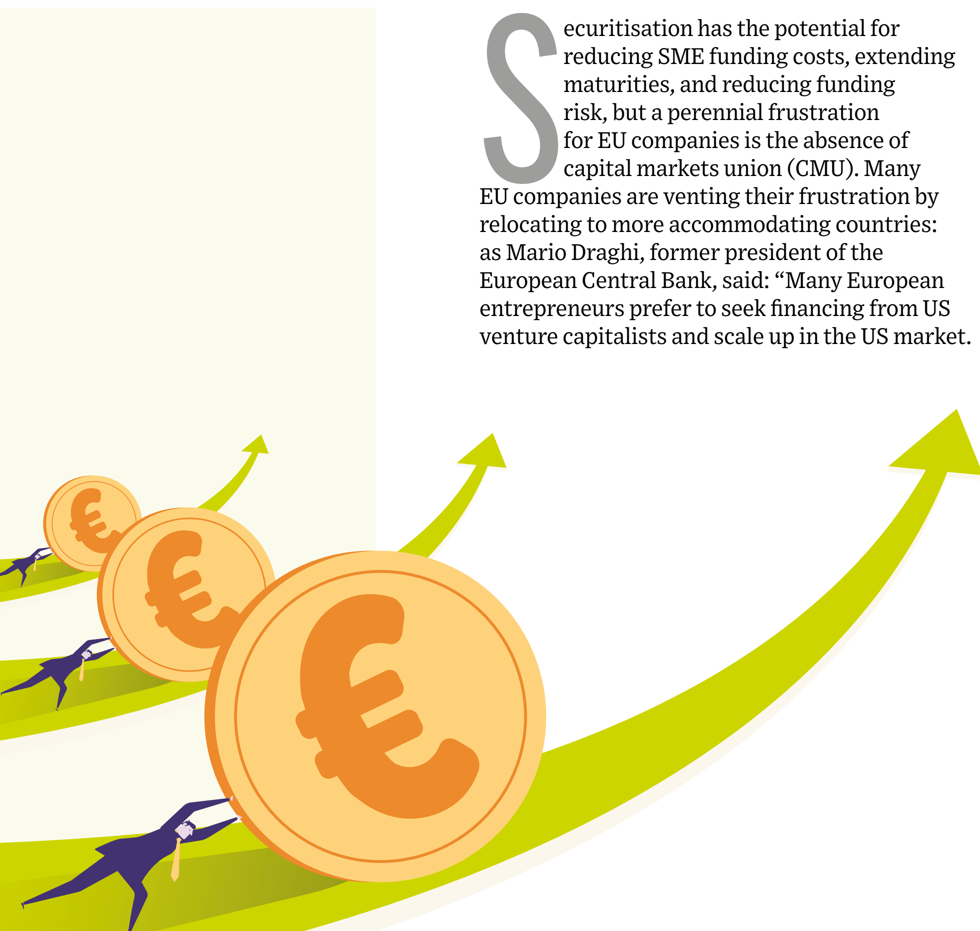
"Becoming more modernised in how you run process, means that you can be resilient and consider climate impacts"

Gavin Hinks is a freelance business and finance journalist

Revitalise CMU to ease securitisation frustration

EU securitisation is being actively promoted by central bankers, but growth remains shackled by national interests and fragmented EU markets that have stalled moves towards a capital markets union

Securitisation has the potential for reducing SME funding costs, extending maturities, and reducing funding risk, but a perennial frustration for EU companies is the absence of capital markets union (CMU). Many EU companies are venting their frustration by relocating to more accommodating countries: as Mario Draghi, former president of the European Central Bank, said: "Many European entrepreneurs prefer to seek financing from US venture capitalists and scale up in the US market. Between 2008 and 2021, close to 30% of the 'unicorns' founded in Europe... relocated their headquarters abroad."



"The lack of capital market development affects banks' ability to grant riskier loans... [and] analysis shows that the rapid development of CMU could lead to an additional 4,800 companies across Europe raising an extra €535bn a year," said Christine Lagarde, the President of the European Central Bank, in 2023.

The EU securitisation market, which is a subset of capital markets and money markets, has come full circle in recent decades.

Before the global financial crisis (GFC), companies, banks, governments, supra-nationals, and even rock stars, issued billions of dollars of an alphabet-soup of securitisation instruments, funding all manner of assets that had a current or future cash flow, aided and abetted by regulators and politicians.

Then came the GFC and the EU sovereign debt crisis. The political and regulatory opprobrium following these shocks led to the implementation of almost fatal regulations by the same regulators who had lauded securitisation. Unsurprisingly, securitisation became financially unattractive to investors and borrowers, and issuance in Europe collapsed.

So currently, those same regulators or their successors, including Lagarde and Draghi, have been vociferously supporting securitisation. "Christine Lagarde placed securitisation front and centre of her plea to build a real European capital market," says PCS, a non-profit organisation that provides independent securitisation transaction verification services.

Securitisation, however, remains muted in the EU. "The securitisation community is most definitely in a better place when it comes to the European policy making 'mood music' than it was in 2019, but the practical battles remain to be fought and the landscape in which they will be fought could itself change quite dramatically," says PCS.

"We should all be grateful for this year's [H1 2024] market increase. But the harbinger of the broad and massive growth [in EU securitisation] called for by European policy-makers it is not," PCS adds.

According to Draghi, annual issuance of securitisations in the EU stood at just 0.3% of GDP in 2022, while for the US the figure was 4%.

"The outlook for true sale securitisation for 2024/2025 is improved on the last five years and fairly strong but still lagging massively behind other jurisdictions as a share of GDP,"

agrees Ian Bell, chief executive at PCS.

In September 2024, Draghi recommended changes to revitalise EU securitisation and CMU:

- a cut in current STS capital charges that exceed corresponding actual risks – a bone of contention shared with PCS, which says the growth of EU securitisation is being held back not by the high standards of the STS (simple, transparent and standardised) regime, but by insufficient capital relief for the STS transactions
- a cut in due diligence and transparency rules that make corresponding securitised assets unattractive to investors
- the establishment of a government-backed securitisation platform (which has existed for decades in the US)
- elevating ESMA (European Securities and Markets Authority) from being a coordinator to being the single common regulator for all EU securities markets.

In addition, Draghi highlighted further obstacles to CMU: harmonisation of withholding tax and insolvency laws, post-transaction settlement and clearing, and a shortage of pension assets. There is also, of course, the perennial problem of how to change the mindset of national leaders who stubbornly put their nations' interests ahead of those of the collective EU.

It would be overly optimistic to think CMU will happen swiftly; after all, it was conceived over a decade ago, and instead of moving forward, it has actually moved backward.

"Despite two European Commission action plans, Europe's capital market remains fragmented. Financial integration is lower than before the financial crisis," said Lagarde back in 2023.

"Some of the strong 1H24 numbers will have been flattered by originators front-running their funding needs. With elections... in the US in November almost everyone is of the view that the second half of the year could well be tumultuous. So, getting your deals off early is good advice and there is evidence it is advice a number of issuers have heeded," says PCS.

ECB presidents are cheerleaders for EU securitisation and though growth is slow, its prospects are positive and it is accessible to SMEs.

Permjit Singh FCT PhD

HOW SMES CAN ACCESS EU SECURITISATION MARKETS

Securitisation has been a mainstay of regulated entities (banks, insurers, and non-bank lenders) seeking to efficiently manage their limited capital (equity), but it has also been used by non-financial and small-capitalisation companies (NFCs and SMEs). That is because securitisation can be classified under two broad types.

In term securitisations, securities issued are repayable in periods from one to 40 years (and so tap capital markets). In revolving securitisations, securities are repaid in less than one year (and so tap money markets).

Both types share a common structure: bundled assets are used to secure tranches of tradeable and negotiable securities. Those assets' cash flows, plus any transaction-specific security, are the sole source of security for the repayment of principal and interest to investors. Unlike covered bonds, there is no recourse to the originator of the securitised assets.

Asset-backed securities (ABS) is a catch-all name for securities issued in term securities that are secured by all manner of assets. For example, a sub-set of ABS, called RMBS, refers to securities secured by residential mortgages. Residential mortgages remain a very popular asset for securitisation transactions.

Asset-backed commercial paper (ABCP) is the usual instrument issued in revolving transactions (also known as receivables securitisations), and invoices receivable by SMEs are a very common asset used in them. The term "invoice" could be replaced by any monetary asset that is also short term in nature, such as credit cards, leases, or royalties.

SMEs usually don't have sufficient volume of receivables to cover the costs to establish and maintain a receivables securitisation of their own. They therefore, along with other SMEs, tap into a multi-seller transaction platform offered to them by a bank.

The bank takes the assets from a SME as security for a short-term loan to it. The bank finances the loan by issuing ABCP secured on the SME's assets. As the underlying invoices are paid to the SME, that money is funnelled to the bank to repay the SME's bank loan and interest. The bank uses that income to repay its ABCP investors their principal and interest. As the SME issues new invoices to its customers, those invoices are used to secure a further loan from the bank, funded by issuing new ABCP.

The cycle of funding can continue to revolve for years, and so although ABCP has a nominal maturity of up to one year (typically 30-45 days), the ABCP receivables platform can potentially provide medium-term funding to SMEs.

Not only can receivables securitisation extend the average maturity of SMEs' funding, crucially, it can provide them with an alternative source of funding, thereby reducing their over-reliance on conventional bank loans. It therefore reduces funding risk for EU SMEs. A further potential benefit involves relative credit quality. "Where the average credit quality of an SME's clients is better than the SME's, then funding against the client receivables can, in theory, be achieved at a finer pricing," says Bell.

Wealth of opportunity

The UK is launching a new national wealth fund, but it remains to be seen if it will generate new, additional private investment in the move to net zero

Keith Nuthall is a business and finance journalist

The UK's new Labour government has launched a National Wealth Fund (NWF), making good on a manifesto promise, although the new institution is, as the Treasury has admitted, a supercharged UK Infrastructure Bank (UKIB), not a new institution.

Rather, Chancellor Rachel Reeves announced on 14 October that UKIB would become the NWF, with the same board, chair and CEO – John Flint, the former CEO of HSBC.

It will retain the £22bn capitalisation of the UKIB, with an additional £5.8bn pledged during the current parliament (to 2029). An extra £1.5bn has been reserved for future government policy decisions about the NWF, which it will wholly own.

The government has also announced it will legislate to give the NWF more investment powers than it inherits from the UKIB.

Reeves said the NWF will be a cornerstone of the government's strategy to catalyse investment into clean energy industries and to support the delivery of a new industrial strategy. "It will mobilise private sector capital into investments across the UK, while aligning with our shared goals of economic growth and tackling climate change," she said.

A key long-term aim is helping find the £50bn investment needed annually from 2030 to 2050 to create a UK carbon net-zero economy. The NWF concept reflects how the Labour government wants to leverage public funds to 'crowd in' private capital. The government said it hoped the NWF's capital would attract at least £70bn of private funds on a 1:3 mobilisation ratio.

The additional £5.8bn has been earmarked for priority sustainability-linked projects: green steel manufacturing; green hydrogen production; industrial decarbonisation; building gigafactories to make electric vehicles (EVs) and grid-scale batteries; and ports improvements.

> "Building on the strong foundations we have laid as UKIB, we will hit the ground running"

Broad investment

Looking ahead, the NWF will be charged with crowding in private capital deal by deal, not at a fund level. In a policy paper released with its October announcement, the government said the NWF would have "a broad investment mandate", supporting the government's planned industrial strategy, itself under consultation for release in spring 2025 .

The NWF policy paper said it would "invest in sectors where an undersupply of private finance exists". And it will continue to finance clean energy projects (already a UKIB priority), including renewables, nuclear, storage, grid, retrofits, heat networks, clean energy supply chains and tech aiding supply and demand flexibility, along with

“Issuing bonds is the only way for the NWF to achieve its full potential to leverage £14bn of private funding for every £1bn this government puts in”

digital investments, transport, water, waste handling and natural capital.

The paper added that NWF will be granted authority to deploy a new product type – performance guarantees – to help mitigate new risks, alongside the loans, first loss guarantees, credit enhancement guarantees, mezzanine debt, financial guarantees, fund investments (outsourcing financing to third party managers) and direct equity investments already available to the UKIB.

It stressed that the NWF will explore “new blended finance solutions” to deliver wider government policy objectives. These would combine NWF financing with grants and other governmental departmental policy instruments, again to attract private finance.

NWF CEO Flint said: “Building on the strong foundations we have laid as UKIB, we will hit the ground running, using sector insight and investment expertise that the market knows and trusts to unlock billions of pounds of private finance for projects across the UK.”

Not a replacement

This reflects concerns that any financing must not replace money that could already be raised from alternative sources. That follows the European Union’s (EU) experience in 2019, when the European Fund for Strategic Investment (EFSI) was found wanting by the EU financial watchdog the European Court of Auditors. It found “some EFSI support just replaced other EIB [European Investment Bank] and EU financing, part of the finance went to projects that could have used other sources of public or private finance...”

So, how can additionality be guaranteed? And how can leverage be maximised?

Of course, actual deals help signal how the NWF will operate. And a first deal after the NWF was launched was announced on 17 October involving Barclays UK Corporate Bank and Lloyds Banking Group both committing £500m in loans to housing associations to retrofit homes. The NWF is supporting this financing with financial guarantees, supporting shorter-term loans from Lloyds and medium-long term loans from Barclays. The retrofits will have a climate focus, boosting insulation and installing low carbon heating, reducing energy bills.

Meanwhile, an agreement in principle has also been made between the NWF and mutual funder The Housing Finance Corporation (THFC) to deliver an additional £150m, helping registered housing providers gain access to longer-term bond markets.

Lloyds chief executive Charlie Nunn stressed the “blended finance solution” at play in these deals, “enabling housing associations to improve energy-efficiency and cost-effectiveness for residents...”

Tariq Kazi, group treasurer for the Peabody Trust – one of the oldest housing associations in the UK – and ACT deputy president, said: “Retrofitting the UK’s 4.5m social homes to meet net zero standards will require a range of technology applications, supply chain, delivery channels, workforce and, by no means least, funding solutions. Scaling to meet that challenge may cost anywhere between £100bn and £200bn, or more, over the next quarter century.

“National Wealth Fund’s initial capital allocation to support social housing together with grant funds available from Warm Homes/Social Housing Fund shows a direction of travel towards crowding in more funding solutions.

Fundraising powers

Will these plans and deliverables be enough to make the comprehensive sustainable growth sought by the government? Think tank the New Economics Foundation (NEF) says no, unless the NWF is given the power in the planned legislation to issue its own bonds: “Issuing bonds is the only way for the NWF to achieve its full potential to leverage £14bn of private funding for every £1bn this government puts in,” said a NEF note.

Advocacy group Positive Money said such fundraising powers would be needed for the NWF to approach the scale of German state-owned investment bank KfW, which had a capitalisation of €560.7bn in 2023. It has underpinned Germany’s shift towards renewable energy, noted Positive Money.

Following the NEF line that the NWF should raise its own funds, Positive Money said the fund should target an 8% leverage ratio, “which would allow it to mobilise £250bn over 10 years with £20bn of equity”.

Some of that money could be drawn from pension funds, with the UK Pensions and Lifetime Savings Association (PLSA) welcoming plans to create an NWF that could “improve the pipeline of investible assets”. The PLSA said it wanted to work with the government “to help develop solutions that work for savers, pension funds and the economy”.

Should this all work, Labour will have delivered a key manifesto commitment and boost growth. Energy security and net zero Secretary of State Ed Miliband predicted the initiative would “help create thousands of jobs in the clean energy industries of the future to boost our energy independence and tackle climate change”. Reeves added that she wanted to “fix the foundations of our economy to rebuild Britain...”

Time will tell if these lofty aims can be delivered by the NWF.

Making the right moves

Treasury transformation can pay for itself if your policies and procedures align with a capable team, management buy-in and technology, argues Manish Joshi

We are all familiar with the age-old adage, 'cash is king', and if there is one organisational department that truly lives by the saying, it would be the treasury function. Treasury is at the forefront of ensuring the availability of funds at the right place, at the right time and in the right form in order to support and foster business growth, protect capital, mitigate risks and optimise returns.

Treasurers also have to keep abreast of geopolitical developments, regulatory changes and technological advancements amongst an evolving landscape, delivering a tangible impact to their organisations by making informed decisions for the effective management, utilisation and deployment of funds.

Recent developments globally have only added complexity, making the treasurer's role more demanding. While the geopolitical environment enhances volatility and risks, the recent rate cut announcements from the US Federal Reserve, along with its guidance, seem to suggest that we are moving towards a reduced interest rate environment. This may present potential opportunities for corporates to refinance to reduce costs, while it is also likely to put pressure on returns on cash deployed in investments. The sweet spot hangs in the balance as the treasurers are always looking to manage the risk-to-reward ratio. Companies have an opportunity to further enhance efficiency and reduce volatility in cash reserves if they are able to collect cash swiftly, deploy it efficiently and have the ability to time outflows at will in order to showcase healthy and stable cash reserves.

> "Recent developments globally have only added complexity, making the treasurer's role more demanding"

Furthermore, treasurers are not only required to focus and deliver on the day-to-day, but are also expected to pause and reflect, to prepare and equip their team for the future. This requires a thorough introspection, with a benchmarking exercise across other comparable firms and their treasury functions, the definition of the right metrics and identification of key areas for improvement to help simplify the decision-making process.

Transformation

Moving forward on the path of a treasury function's transformation may entail technological upgrades, such as deployment of a new treasury management system (TMS), as well as tapping new talent to drive change within and outside the organisation by exploring the latest solutions and their applicability to operations. Examples include the rationalisation of bank accounts to move towards a leaner banking infrastructure or

reviewing cash trapped in complex markets.

Another important aspect to driving transformation is securing the support and buy-in from key stakeholders in a move towards a shared vision for the future of the treasury organisation. Treasurers need to showcase the quantitative and qualitative value of the project, such as automation of processes leading to higher efficiency; streamlined flow of information leading to swift, informed and impactful decisions; the ability to position and deploy cash effectively; and higher levels of corporate governance.

Furthermore, it is one thing to showcase the impact of a transformation on paper and another to bear the associated costs of the project. In today's environment, most companies are focused on cost reduction – and even though these projects could have a significant impact if executed, they may never see the light of day. It is therefore imperative that treasurers are able to showcase how they will be able to do more with less and how they will look at generating cash to fund such projects.

Framework

In order to deliver for the organisation in a rapidly evolving and dynamic environment, there is always a need to have an effective framework to protect the downside and be agile to gain from the opportunities as they present themselves. Teams should revisit their treasury policies and procedures regularly to validate their relevance and keep up with the prevailing environment. It is important to have a holistic treasury policy that includes investment processes and procedures that define a list of investment products based on parameters such as:

- amount and currency of investable cash
- credit risk appetite
- time horizon of investment
- investment counterparty risk
- speed of execution and settlement
- country-level exposure
- currency-level exposure.

Corporate treasury functions may consider creating a framework based on cash thresholds mapped to increasing degrees of risk and longer investment horizons to optimise cash requirements in conjunction with competitive yield. For example, a useful framework could be for operating cash deployment in low risk, lower tenor investments with cash available on demand versus long-term surplus cash to be potentially deployed in instruments with higher risk and longer time horizons. There is also the need to simplify the investment process with the right investment partners, offering visibility, transparency and technological interface for ease of investment and redemption and speed of execution.

Another key factor is accurate cash forecasting, which is required to ascertain funding needs along with surplus investible cash. This is ideally determined in partnership with key stakeholders, including the chief financial officer, finance managers and commercial finance teams, as it is extremely important to enhance accuracy and also to keep buffers for fluctuations due to a dynamic environment.

Artificial intelligence

In addition, one cannot ignore the role of artificial intelligence (AI) in this day and age, and for treasurers it is a key factor to be incorporated at the core of their function's transformation strategy. This technology can help improve productivity and bring efficiency to treasury processes while enhancing treasury governance. We already see AI employed to undertake routine, repeatable tasks to present data in specific formats, optimising cash management and decision making, along with saving time and resources. AI-powered tools across the industry showcase include:

- visualisation and drill down to more easily investigate unexpected shifts in cash flows and balances
- categorisation of transactions with automated rules to sort payments and bank accounts for customised views
- AI-powered cash forecasts at the account level with potential true up to track projected versus actual balances.

With these results, corporate treasury teams may choose their next steps from a variety of investment avenues, including term deposits, money market funds or T-bills, among others. Coupled with the right banking partners and the connectivity enabling swift movement of funds into the right investment products, treasurers can mitigate operational and financial risks. The incremental returns that are generated through the new investment framework can be carved out to be deployed for treasury transformation, and this enables an organisation to reach its full potential and its envisioned targets for the future.

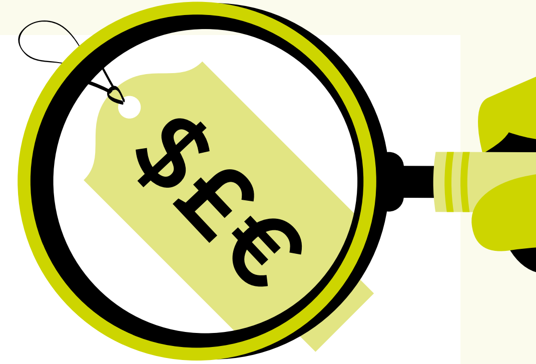
In conclusion, a strong stakeholder support, coupled with a robust framework of treasury policy and procedures and capable team members aligned to a clearly defined vision, will help to deliver on goals, mitigate risks and drive incremental returns which, in turn, may be carved out to support the path of continuous improvement and transformation.

"Treasurers need to showcase the quantitative and qualitative value of the project"

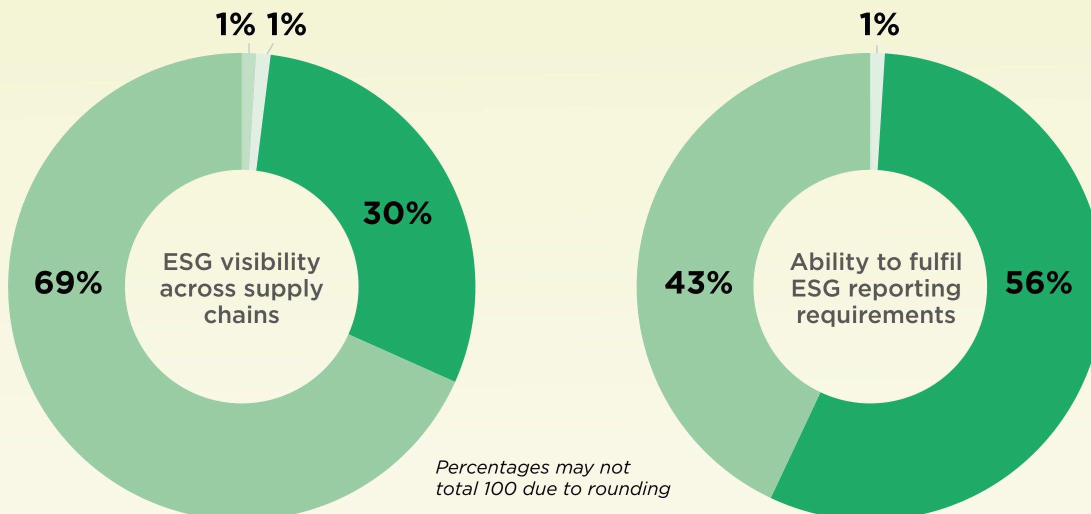
Manish Joshi is regional leader (CEEMEA), liquidity and account solutions at JPMorgan Chase Bank, based in Dubai

IN DETAIL:

FOCUS SHARPENS ON ESG AND SUPPLY CHAINS AS ONE IN FOUR EXPECT TO CANCEL CONTRACTS



HSBC risk management survey reveals environmental, social and governance issues are testing the complex relationships between companies and their suppliers



Source: HSBC Corporate Risk Management Survey 2024

Concerns are growing among treasurers and CFOs over ESG and supply chain risk amid growing scrutiny and expanding regulations. According to HSBC's survey, almost a third of companies (32%) have already incorporated ESG guidelines and policies into their supply chain and another 40% have integrated these into sales logistics. The survey found that, at a minimum, firms are requiring suppliers to share their ESG credentials.

Some are then creating scorecards and setting targets for suppliers to meet certain requirements. And the most advanced companies on this journey are incentivising suppliers with either preferential financing terms or a commitment to place more orders.

But nearly all respondents to the survey said they are somewhat (69%) or very (30%) concerned about ESG visibility across their supply chains, with 56% very concerned about their ability to fulfil ESG reporting requirements.

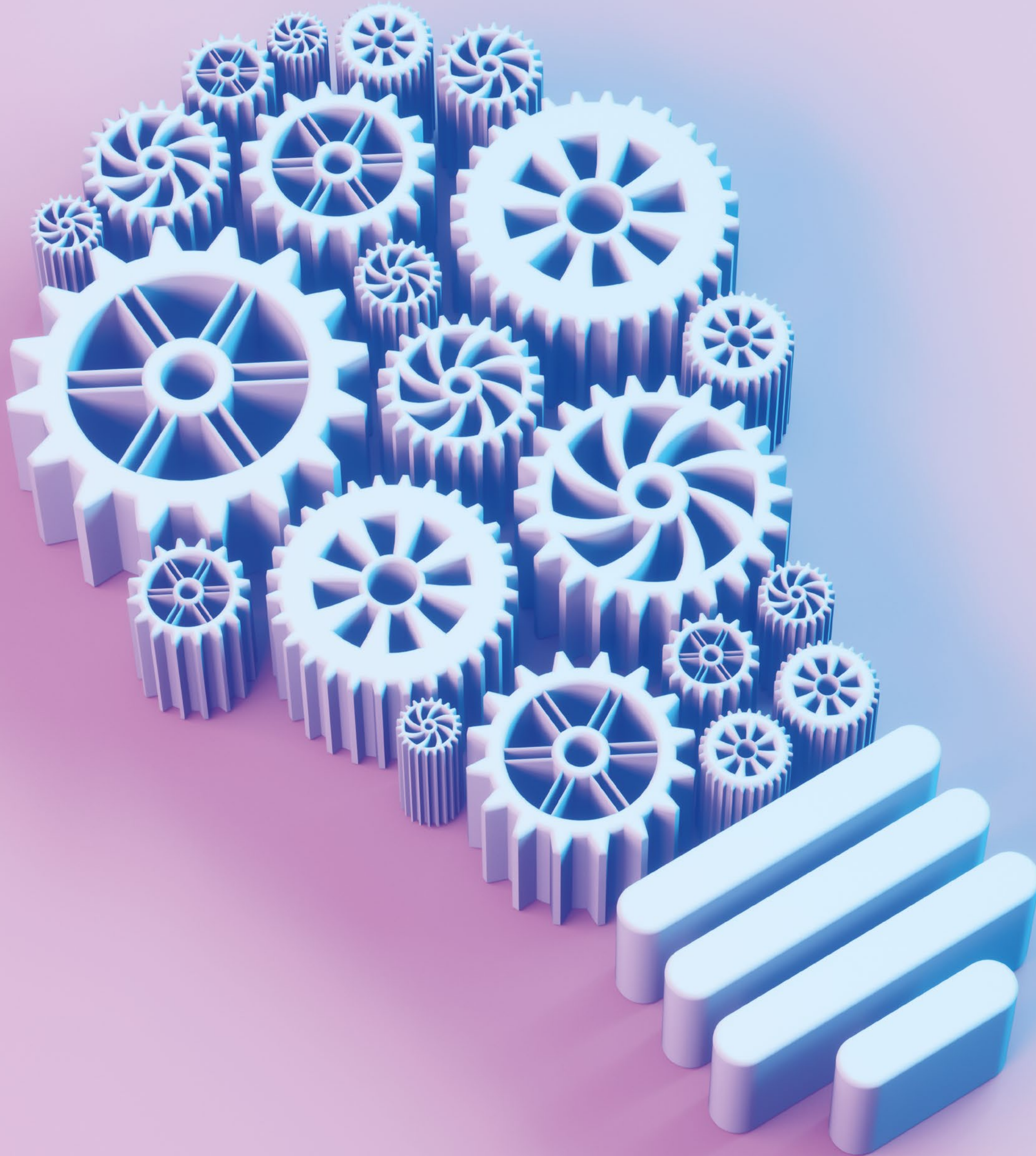
These concerns are manifesting in the 'nearshoring' trend, which is expected to continue. Over the next three years, 45% of respondents said they expect to work with more local suppliers, similar to the 43% who have already pursued such efforts over the past three years.

Additionally, 27% expect that ESG aspects will require them to cancel some supplier contracts in the future, compared to 19% who have already acted on this front in the past three years.

ESG is also having an impact on companies' own debt instruments. In 2021, 59% of companies said that less than 10% of their gross debt was linked to ESG criteria. But for 41% of respondents in the latest survey, more than 30% of their gross debt has ESG features.

FUTURE TRENDS

What lies ahead for the treasury professional?



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WORLD IN 2025
Treasurers see supply chain risk, pandemics, climate change and trade wars appearing in their crystal balls

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PAYMENTS IN THE FAST TRACK
McLaren Racing's new implementation will see it bring savings to the Formula 1 championship fight

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FOCUS ON FX
Corporates need to accelerate the journey of modernising their processes to bolster foreign exchange efficiency

Great expectations

With supply chain risk, pandemics, climate change and trade wars appearing in the crystal ball, treasurers need to ensure their policies are fit for purpose and risk management remains at their core

THE YEAR IN NUMBERS

3.5%
The jump in the value of the S&P 500 index one week after Donald Trump won the US presidential election race
(Source: FT.com)

10%-20%
Possible blanket tariffs on all US imports in 2025
(Source: CNBC)

60%-100%
Possible tariffs of all US imports from China
(Source: CNBC)

What are you expecting for the treasury world in 2025? Any answer to this question must start with the backdrop, which appears to be incredibly risky. Conflict continues in the Middle East and Ukraine, with the ongoing threat of nuclear escalation and supply chain disruption driving uncertainty and risk for the global economy.

While there will be fewer national elections in 2025, 2024 concluded with Donald Trump being elected as the 47th US president. Core campaign policies included tax cuts, deregulation, tariffs on all US imports (60% for China and 10-20% for the rest), which could be inflationary; mass deportation of undocumented immigrants; and a swift end to the conflict in Ukraine and the Middle East. How much gets implemented remains to be seen, but the Republicans now control the Senate and have a majority in the House of Representatives, too.

In China, currently embroiled in a trade war with the US (which could now get worse), challenging economic conditions at home have not (yet) spilled over into the global economy, save for the effects perhaps of its recent stimulus package. The issue of Taiwan remains in the background, as the country watches the outcome of Russia's Ukrainian invasion.

We have recently witnessed the worst storm in a century approaching Florida, and devastating floods in Spain, reminding us of the impact of climate change.

Pandemics have not gone away either. At the UK's public inquiry into COVID-19, Professor Sir Chris Whitty said another pandemic on a similar scale is "a certainty" and that the NHS did not have the reserves to cope effectively.

The four horsemen of the apocalypse – and their cousins – loom large. So, with these enormous risks able to derail any of my predictions, I believe that treasurers can expect the following from 2025:

Inflation: on the whole, inflation in core global economies is deemed to have peaked, and is on a downwards trajectory, but perhaps not quite as low as many have become used to. However, Trump's agenda could change this.

Interest rates: with current inflation under control, short-term interest rates should follow and indeed look to have peaked in major economies with cuts having been made or about to be made. That still leaves us with base rates (in Europe, the US and

the UK at least) that are at their highest levels in nearly 20 years. The narrative from central banks tells us to expect them to remain higher for longer.

This means that treasurers can expect base rates to remain near current levels for the duration of 2025 (contrary to recent indications from the markets). A notable exception here is Japan, which has started to move away from ultra-low rates and into a hiking cycle.

Further out along the yield curve, rates have been lower in Europe, the US and UK, presenting an inverted yield curve, which treasurers can expect to remain for 2025, and which might offer hedging opportunities.

Rates have been lower further out – despite quantitative tightening – because of expectations they will come down as inflation is addressed. Aside from QT, other upward pressures exist due to government policies and, especially in the US, from the growing national debt, which may become harder to finance as international appetite for US treasuries declines. With a Republican dominated US government, it is unlikely that the situation will get addressed politically, and the chances that this will be addressed by the markets in the form of a 'rates shock has increased. In Japan, with the change in policy, the yield curve can be expected to remain upward sloping.

FX rates and commodities: expect nothing less than volatility. The immediate impact of the election of Trump has caused inflation and interest rate expectations to rise in the US with a consequent strengthening of the US dollar, but markets are still hypersensitive and prone to quick corrections.

With commodities, the transition to renewable energy underpins weakness in gas, coal and oil prices, and strength in metals such as copper and nickel, but the background risk factors underpin strength in gold and oil prices, and uncertainty in agricultural commodity prices. Should China's economy recover, expect many commodity prices to rise.

Sustainability: an ongoing theme driven by the effects of climate change and the acknowledgement that a valid business strategy must be sustainable. Expect 'ESG fatigue' to continue in 2025, as issuers prioritise complying with new ESG regulations (see below) and watch for the effects of a Trump administration.

Regulatory reform: the final rollout of Basel 3 and continued rollout of Basel 4 will increase the cost of bank capital. ESG regulatory compliance requirements will continue, especially in Europe (CSRD) and the US, where the Climate-Related Financial Risk Act and others in California may set a precedent that other states will follow. But Trump's election could slow momentum.

In the UK, the Financial Conduct Authority's implementation of its debt capital market reforms will see the time and cost burden on issuers into the UK significantly alleviated (e.g., with the facilitation of the use of low denomination bonds).

Technology: expect the sophistication and deployment of AI in its various forms to ramp up, both to enable efficiency (expect to be asked to do more with less, with the ultimate goal being a one-person treasury function) and better decision-making, as well as to facilitate regulatory compliance. But for the bad actors, technology will enable more effective cybercrime.

Conclusion: the backdrop means uncertainty and volatility abound. Treasurers can expect to draw heavily on their risk management capabilities. That means ensuring policies are fit for purpose (before the next full-blown crisis emerges) and examining ways to manage risk commercially and financially (i.e., with and without derivatives).

It also could mean maintaining strong credit metrics to give the organisation the financial flexibility to withstand unpleasant surprises, but also to take advantage of opportunities when they present themselves.

For me, funding and liquidity risk management are at the core of what a treasurer does and to that extent, mitigating against risks to these is a priority. That means ensuring existing funding relationships are working, as well as exploring alternative sources of finance (especially as the cost of bank capital is rising). These include private credit funds and smaller-scale investors, which could be accessed through the use of low denomination bonds (if an investment grade issuer into the UK).

In the words of Nikhil Rathi at the FCA's debut International Capital Markets Conference in October 2024: "We can't control the weather, but we can prepare for it."

"The four horsemen of the apocalypse – and their cousins – loom large"

James Leather FCT CGMA is founder of Corium, a provider of interim and advisory treasury services

49%
of treasurers say generativeAI is helping them overcome long-term talent challenges within the finance function
(Source: DBS)

€1.56tn
of excess working capital available among 19,000 companies globally
(Source: PwC)

58%
of treasurers see visibility into global operations, cash and financial risk exposures as their top key challenge
(Source: Deloitte)

62%
of treasurers see enhanced liquidity management as top key priority in the next 12 months
(Source: Deloitte)

47%
of treasurers say managing currency risk is an area their business is least well equipped
(Source: HSBC)

27%
of treasurers anticipate cancelling supplier contracts over ESG issues
(Source: HSBC)

Smart move: why variable recurring payments could be the future

Growing interest in commercial 'me-to-you' payments could see VRP working alongside direct debits, in real time and with improved cash flow forecasting

Variable recurring payments (VRP) might sound technical, but they are here to make life easier for businesses and consumers alike. Born from Open Banking, VRP brings a fresh approach to how we handle regular payments, offering greater flexibility, control and security. Whether you are looking at cash flow management, smoother customer payments or increasing sales, VRP could soon become a major asset for corporate treasurers.

Let's break down what VRP is, how Open Banking supports it, and why treasurers should be paying close attention to this evolving space.

What is VRP?

Variable recurring payments (VRP) are a new, flexible way for customers to authorise payments directly from their bank accounts through third-party providers. Think of it as giving permission for payments to be made on your behalf, but with clear limits in place so that you're always in control. Customers can set parameters, such as how often payments happen and the maximum amount, all of which are visible in their banking apps. If something changes, they can cancel or re-consent in real time, offering more control and flexibility than traditional direct debits.

The key appeal of VRP lies in the seamless, secure experience it offers. By giving customers the ability to set specific limits and manage everything from their bank's app, VRP ensures security and control, all while simplifying payment processes. This is a significant shift from how payments have traditionally worked, particularly with direct debits, as VRP offers more flexibility without sacrificing security.

When we talk about VRP, it is important to understand that the technology behind it is the same for both types of use cases: Sweeping VRP and Commercial VRP. The key difference here is how they are applied.

Sweeping VRP (me-to-me payments)

Sweeping focuses on 'me-to-me' payments, which is all about transferring money between a customer's own financial accounts. For example, this could involve moving funds to a savings account, repaying an overdraft or making payments on a loan. The key here is that both accounts are in the same name, but they could be with different banks or financial institutions.

Sweeping has been mandated for the UK's nine largest banks – known as the CMA9 – but other banks have voluntarily jumped on board, recognising the benefits for their customers. For consumers, this offers a hands-off way to manage their finances more efficiently – by automating savings and repayments without the hassle.

Commercial VRP (me-to-you payments)

Commercial VRP, on the other hand, extends beyond moving money between a customer's own accounts. This 'me-to-you' payment option allows VRP to be used for recurring payments to third parties, such as paying for subscriptions and utility bills, or even replacing card-on-file payments for regular purchases.

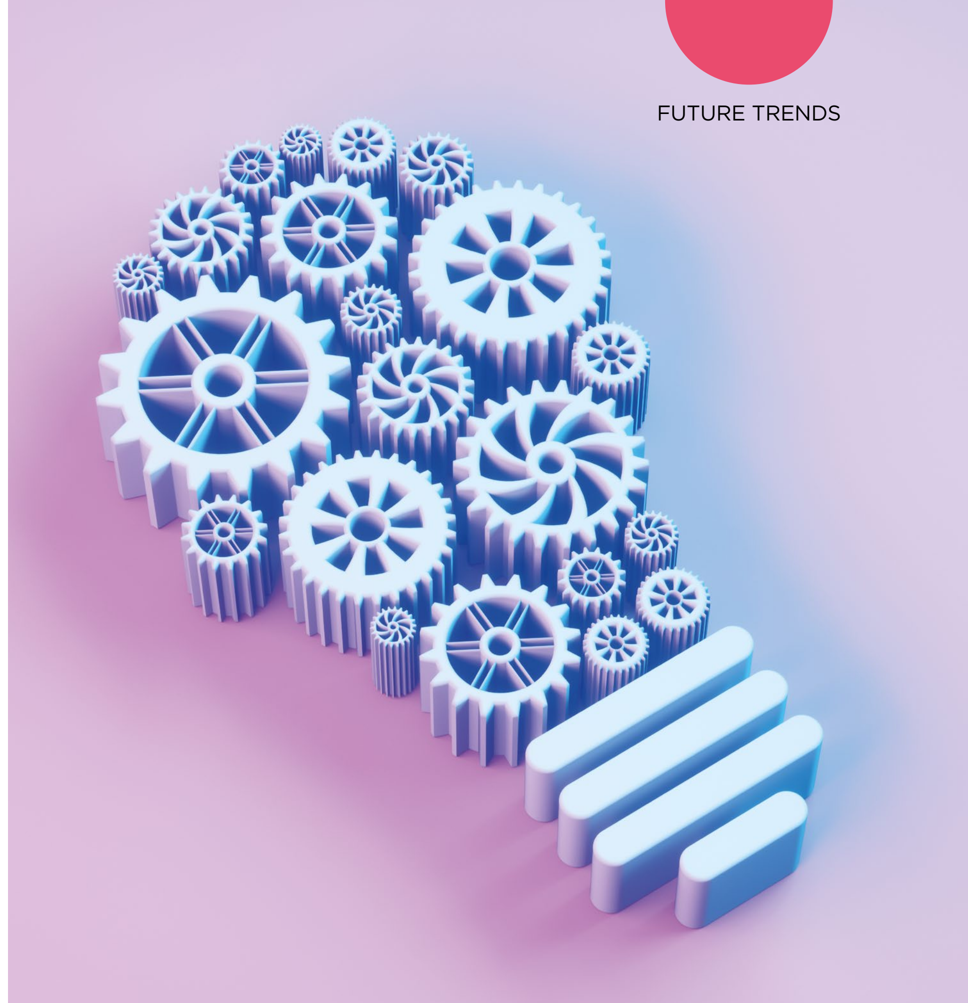
Unlike Sweeping VRP, Commercial VRP isn't mandated yet. Right now, not many banks are offering this service. However, there's strong interest across the industry, and regulators are actively exploring pilots to scale Commercial VRP in the near future. For businesses, this could be a game-changer – offering an alternative to direct debits and card payments with lower fees, fewer chargebacks and reduced fraud risk.

Why treasurers should be interested

For corporate treasurers, VRP offers several compelling advantages. One of the most significant benefits is that VRP payments run on the Faster Payments rails, enabling real-time transactions. This speed provides a major boost to cash flow forecasting, ensuring payments are processed immediately and positively influencing working capital cycles.

Beyond speed, VRP presents an important alternative to traditional direct debit and recurring card payments. With the potential for lower transaction fees, no chargebacks and reduced fraud risk, VRP offers treasurers a more cost-effective and secure payment solution.

For more information on VRP, check out NatWest's 'Bank of APIs' variable recurring payments page. Click on the QR code



Moreover, treasurers should consider how payment strategies align with evolving customer expectations. As consumers increasingly demand seamless, one-click payment experiences, VRPs could be the key to delivering just that. By adopting VRP, businesses can enhance customer satisfaction, drive higher conversion rates and, ultimately, benefit from more consistent and reliable cash flows.

Key considerations for treasurers

For VRP to really take off, it's going to require large businesses to embrace this new way of handling payments. Corporate treasurers should consider how VRP fits into their broader payment strategies.

There's also the fact that Open Banking payments are gaining serious momentum. In the first nine months of this year alone, 156.4m Open Banking payments have been processed. Compared with the same period for 2023, that's an impressive 70% increase!

How Open Banking can help

Open Banking is what makes VRP possible. It provides the secure infrastructure that enables banks to safely share payment services with third-party providers. While we're not quite at the point where data sharing and payment systems are fully integrated, we're getting there.

Soon, we'll see even more possibilities. Imagine a world where customers don't have to enter all their details at checkout – just one click and payment is complete. This vision isn't far off, thanks to upcoming changes such as the Digital Information and Smart Data Bill, which will open new doors for data-driven innovation.

VRP use cases in the market

Right now, VRP is emerging as a promising alternative to traditional payment methods, such as direct debits or stored card payments. For businesses, this means more control over recurring transactions, fewer errors and fewer failed payments. In the short term, VRP might not completely replace direct debits, but they can work alongside them. This gives businesses the chance to adopt VRP gradually, without needing to overhaul their payment systems overnight.

What's next?

The Payment Systems Regulator is working with industry players on a pilot for Commercial VRP, focusing on lower-risk use cases, such as payments to utilities, financial firms and government bodies. This pilot is expected to launch in 2025, offering the chance to test VRP's full potential before it rolls out more widely.

"For VRP to take off, it's going to require large businesses to embrace this new way of handling payments"

Ritu Sehgal, head of transaction services and trade, NatWest

Even established players such as Visa are getting involved, having recognised that account-to-account payments are a key part of the future. This vote of confidence is a strong signal that VRP is here to stay.

VRP represents a big shift in how payments are handled, bringing speed, flexibility and improved customer experiences. For treasurers, it means better cash flow management, fewer costs and a chance to stay ahead of changing customer expectations.

While VRP is still in its early stages, it's clear that the future looks promising as regulators and industry leaders invest more into VRP. For treasurers, it's a perfect time to discuss VRP internally and to engage with industry experts to identify how it can be used to improve customer and business outcomes.

Ritu Sehgal is head of transaction services and trade at NatWest

Fine margins in Formula One

In a sport where every tenth of every second counts, McLaren's upgrades off the track can have a big impact on success in the race to pole position

Laura Bowden, CFO McLaren Racing

"The finance team is mandated to look for marginal gains"

McLaren Racing, the Formula One racing team based in Woking, Surrey, has been having its best season since it last won the drivers' world championship back in 2008 with a youthful Lewis Hamilton at the wheel. However, the team is well aware that it cannot rely solely on its drivers to secure pole position – behind its two current drivers, Lando Norris and Oscar Piastri, is a team of hundreds of engineers, computer scientists, tacticians and, yes, finance professionals. Every part of the team must operate in unison in order to get its drivers over the finish line.

"At McLaren, speed and innovation are essential to our success, both on and off the track," said Laura Bowden, CFO at McLaren Racing. "Like all departments at McLaren, the finance team is mandated to look for marginal gains by consistently reviewing processes and using technology to optimise our business. By constantly monitoring spend and reporting back to the business, we can find new ways to free up funds to re-invest in our on-track efforts."

The latest step in this quest for speed and efficiency saw McLaren sign a partnership with Airwallex, a global payments and financial platform. Previously, McLaren's international payments run consisted of 30 payments made one at a time, which was inefficient and time-consuming. With Airwallex, McLaren can now push payments through a custom approval process and execute a batch payout using a template, taking a little under an hour per run.

Over the course of a month, this new process is saving the McLaren Racing finance team half a day of work.

This might not sound much, but for a team used to looking for the finest of margins, even half a day adds to the overall performance. As do any financial savings, which can be ploughed back into the cars' development; more important than ever since budget caps were introduced in 2021. Previously, the McLaren finance team experienced slow transfer speeds – two to five business days – and high transfer fees when paying their international suppliers in US dollars.

As a result of adopting Airwallex's end-to-end payment system, McLaren Racing now receives competitively priced foreign exchange (FX) rates and can move money through an extensive local payout network. This means that McLaren has the flexibility to pay each global vendor in their local currency while reducing transfer times. For payout transactions, 90% arrive within hours and 65% arrive instantly.

Given the global nature of its operations, where the racing team travels around the world during the nine-month long season, such efficiencies are welcomed by both the team and its local suppliers.

"We are used to seeing McLaren Racing perform on the track with speed and precision," says Jon Stona, head of global marketing at Airwallex. "But less visible is that off the track, it takes team effort and world-class operational efficiency to put the drivers on the podium. We're delighted to be playing

IN NUMBERS

McLaren Racing

1963
Founded by Bruce McLaren

12
Drivers' championships

8
Constructors' championships

McLaren Racing competes across five racing series: the FIA Formula 1 World Championship with McLaren F1 drivers Lando Norris and Oscar Piastri; the NTT INDYCAR SERIES with Arrow McLaren drivers Pato O'Ward, Alexander Rossi and David Malukas; the ABB FIA Formula E World Championship with NEOM McLaren Formula E Team drivers Jake Hughes and Sam Bird; and the Extreme E Championship as the NEOM McLaren Extreme E Team

Airwallex

2015
Founded by CEO Jack Zhang in Melbourne, Australia

1,600
Employees

23
Offices around the world

$100bn
Annual transaction volume (August 2024)

$500m
Annualised revenue run rate (August 2024)

100,000
Customers, including Brex, Rippling, Navan, Qantas and SHEIN

a crucial part in this as we help streamline McLaren's financial operations globally."

Airwallex and McLaren Racing first announced a multi-year partnership in February 2024 to further enhance the team's existing payments infrastructure, specifically across treasury management as well as cross-border pay-outs and settlement. Specifically, McLaren has been using Airwallex to optimise its supply chain payments for all Grands Prix. McLaren's existing payments infrastructure had limited payment to suppliers, such as hotel and event space providers, to a singular currency account based in the UK, resulting in high FX charges, slow transfer time and additional SWIFT fees.

"We are making the processes faster, easier and more convenient," explains Ryan O'Holleran, who leads Airwallex's enterprise business.

"We're very modular in our approach," he says. "So, you can collect, you can manage, you can spend, but you don't need to necessarily use us for every single aspect of that. So, if you have a third-party account that you want to funnel funds into first, like a traditional bank account, and then use Airwallex for the disbursement, you can do that. It's not a rip and replace [system], it can be a slow build over time."

O'Holleran adds that once a user has cleared its 'know your customer' (KYC) process, which itself can take as little as a day to pass, treasurers and other users of the system can be up and running through a relatively quick onboarding process – perhaps not as quick as an F1 pitstop, but fast in comparison to traditional processes. Permissions can be set so that individual users are only granted certain levels of access, adding an additional layer of control and governance.

"Treasurers and CFOs really like this because not only do they have control on who accesses the account, they also have control on the disbursement so they can set certain levels of permissions and restrictions and review when those payments are being dispersed," says O'Holleran. "So, if an accidental payout occurs to somebody – maybe the information is outdated, maybe the invoice was cancelled – the administrator can see that and restrict that from going out."

Fundamentally, Airwallex is an API, so it is able to link in with third-party financial software, whether it is an 'out-of-the-box' integration or something that is customer built. "If you could standardise your processes and lower the costs, that can have a positive outcome on the team and organisation," O'Holleran says.

And, with the F1 season reaching a dramatic climax in Abu Dhabi on 8 December, such positive outcomes can make all the difference.

Philip Smith is editor of *The Treasurer*

How automation is reviving the ageing FX industry

As the foreign exchange market evolves, corporates need to accelerate the journey of modernising their execution processes to bolster transaction efficiency

IN NUMBERS

78%
of businesses say their financial results are affected by currency volatility

40%
of business activity is exposed to foreign currencies among European corporates

34%
of European corporates instruct financial transactions over the phone

16%
of corporate treasury teams spend four to five days on FX-related matters

$7.5tn
of currency are traded every day

(Source: MillTechFX /Bank of International Settlements)

The foreign exchange (FX) market can be dated back to the 19th century. At the time, international corporations, governments and banks would exchange different currencies when trading and investing. Since then, the industry has grown to become one of the largest in the world, with $7.5tn traded per day.

The modernisation and digitisation of the FX market were first gently introduced in the 1980s, as computer-based trading systems were developed and adopted, enabling the electronic trading of currencies. Nowadays, electronic trading dominates the FX industry, with algorithms and new technology having transformed the space.

Despite this transition, a heavy reliance on manual processes endures in many areas of the FX market. Although new technology is available, many corporates still use outdated methods, such as phone calls and email, to transact FX, straining the efficiency of FX operations. Such antiquated systems are a huge burden on time and human capital. However, automation is causing a new shift in the market, with a growing number of corporates using new technology to boost their FX processing abilities and increase operational efficiency.

For businesses that trade FX for risk management or transactional purposes, it can be seen as second-order; many transact in FX not because they 'want to', but because they 'have to' because of international business activities.

Nearly 40% of business activity is exposed to foreign currencies among European corporates and 78% say their financial results are impacted by volatility, highlighting the importance of hedging currency risk.

This has become even more pressing as volatility has heightened since the beginning of 2024. A combination of global economic uncertainties, shifting monetary policies, and geopolitical events have played their part in bringing a level of uncertainty back to the market.

The rising threat of currency movements means it's vital corporates optimise their FX set-up and processes to protect their business.

Cost of discovery

According to the MillTechFX *European Corporate CFO FX Report 2024*, (based on mid-sized corporates with a market cap of $50m to $1bn) while a third use a multidealer platform, 34% of European corporates still instruct financial transactions over the phone, while nearly a quarter (24%) are still using email.

FX price discovery can often involve multiple phone calls, emails, or online platforms to log in just to get comparative quotes from counterparties. Because the market is constantly moving, price discovery requires a team of people; calling, emailing and logging in simultaneously before they can collectively decide who offered the best quote.

Price discovery is just the first step in the traditionally long-winded process of booking and settling an FX trade. Finance professionals may have to get approval from different layers of seniority, wait for trade confirmations, which usually arrive via email, process settlement, enter payment details and, in some instances, share trade information with third parties, such as administrators or regulators.

All this internal, manual and siloed communication can be extremely inefficient. And this is just for one single trade. Many organisations execute tens or hundreds of trades every month, with different products and mechanics. As a result, corporate treasury teams spend, on average, 2.25 days per week on FX-related matters, while 16% spend four to five days.

Cost of legacy technology

Not only do outdated systems decrease the efficiency of corporates' FX operations significantly, but they also get in the way of innovation. Research shows that legacy technology was the second-largest barrier to European corporates trying to automate their FX processes, with 23% agreeing that this was a key hurdle.

It's not all doom and gloom. Change is afoot and many CFOs and treasurers at corporates are beginning to consider moving away from traditional providers and legacy infrastructure. New research in the MillTechFX *North America Corporate CFO FX Report 2024* shows that the automation of manual processes was the most important priority for North American corporates in 2024.

There has been a notable increase in organisations embracing digitisation to streamline these functions, with 78% of senior finance decision-makers at European corporates now looking into new technology and platforms to automate their FX operations.

Businesses are realising the benefits of moving away from legacy infrastructure and traditional operating processes. As a result, we're witnessing a shift towards digitisation, as corporates embrace tech-enabled solutions that automate their FX processes, right through from initial price discovery to reporting at the end of the trade lifecycle.

By taking the leap from outdated manual processes to automated FX operations, corporates are set to greatly improve speed, efficiency and accuracy. Organisations that work to enhance FX operations in this way will better position themselves for success in a business landscape that is increasingly volatile and competitive.

Eric Huttman is CEO of MillTechFX

WHAT NEW TECHNOLOGY CAN OFFER:

1. Centralised price discovery
For many corporates, it is operationally inefficient to set up and manage multi-bank relationships, meaning they often rely on a single bank or broker to meet their FX hedging requirements. Automated solutions enable firms to compare prices from multiple liquidity providers on a single marketplace. Not only does this bypass the often onerous phone calls and email exchanges, but it also enables firms to get the best available price and lock it in with the simple click of a button.

2. End-to-end workflow
Post-trade execution processes can be fully automated, from settlement to onward payment, regulatory reporting or sharing trade data with third parties. This saves much-needed time and resources, enabling firms to focus on core business matters.

3. Transparency
By embracing digitisation, firms can benefit from complete transparency through real-time reporting and FX transaction cost analysis (TCA). TCA can be used to help firms understand how much they are being charged for the execution of their FX transactions, in addition to demonstrating good governance to internal stakeholders.

4. Fast onboarding
Rather than spending months (even years) setting up multiple FX facilities with different counterparties, a digital FX marketplace enables firms to begin transacting within weeks.

Technology in 2025: what lies ahead?

The future will belong to those who can harness and fine-tune artificial intelligence rather than use it as a replacement for human insight, argues Thomas Gavaghan

In 2025, treasurers will find themselves in a moment of transformation, where artificial intelligence (AI) moves beyond simple automation and starts playing a more integral role in strategic decision-making. We're not just talking about using AI to support repetitive tasks – that's been the early promise of machine learning. Now, AI is maturing to the point where it can offer deeper insights and help shape long-term strategies for treasury functions. We will see a shift towards harnessing AI to make better, faster and more informed decisions, whether that's around investments, risk management or working capital decisions.

What's particularly exciting is how AI will help treasurers tackle more sophisticated challenges. For instance, think of the way AI can process vast amounts of data to spot trends, model scenarios and predict market movements. That's going to allow treasurers to approach things such as hedging strategies or capital allocation in a way that's much more data-driven and forward looking.

Instead of being reactive to market conditions, treasurers will have the tools to anticipate changes and make adjustments proactively. The focus shifts from managing tasks to truly optimising financial strategy.

Of course, AI adoption in treasury is still somewhat cautious because of the high standards of governance, compliance and control that the function demands. The hesitation is understandable, as treasury functions are built on frameworks of security and risk management that will still remain.

But what we're going to see in 2025 is the establishment of more formal AI-driven cultures within organisations, and clear protocols in compliance and security. This shift will allow treasurers to embrace AI as a critical part of their toolkit without compromising controls that keep treasury functions stable and reliable.

Thomas Gavaghan, vice president of global presales at Kyriba

Human partnership

This will come as no surprise, but 2025 will also be marked by the need to navigate ongoing economic headwinds, and this is where the partnership between AI and human judgement becomes especially important. Interest rates are likely to remain a source of volatility, with central banks taking different approaches.

We're seeing the US Federal Reserve lean towards rate cuts, while others, such as the Bank of England, are beginning to follow after holding steady for longer, and Japan is heading towards rate hikes. These moves will have significant implications for liquidity management, capital structures and FX exposures.

In the technology landscape, 2025 will also see the fall of legacy platforms that simply can't keep pace with modern demands. Instead ASP technologies will further bring software as a service (SaaS) solutions at the forefront of the market. The ability to navigate economic headwinds and fully leverage AI is predicated on the use and access to real-time, accurate data. Legacy on-premises systems and archaic active server pages (ASP) platforms, which once dominated the treasury landscape, are struggling to manage the scale of data we deal with today. How can a system that still has trouble processing incoming bank data growing in volume possibly evolve to support AI?

While it's true you can build AI into almost any system, it becomes irrelevant if the data it's processing is lagging, incomplete or inconsistent. That's why the shift to more agile SaaS-based platforms will become even more critical for CFOs and treasurers who don't just want to keep up, but optimise liquidity performance.

From managing to optimising

Finally, in 2025 treasurers will be balancing the challenges of a volatile economic and geopolitical environment with the opportunities presented through more formalised AI offerings. It's going to be a time of shifting from managing financial operations to optimising them in ways we couldn't have imagined just a few years ago.

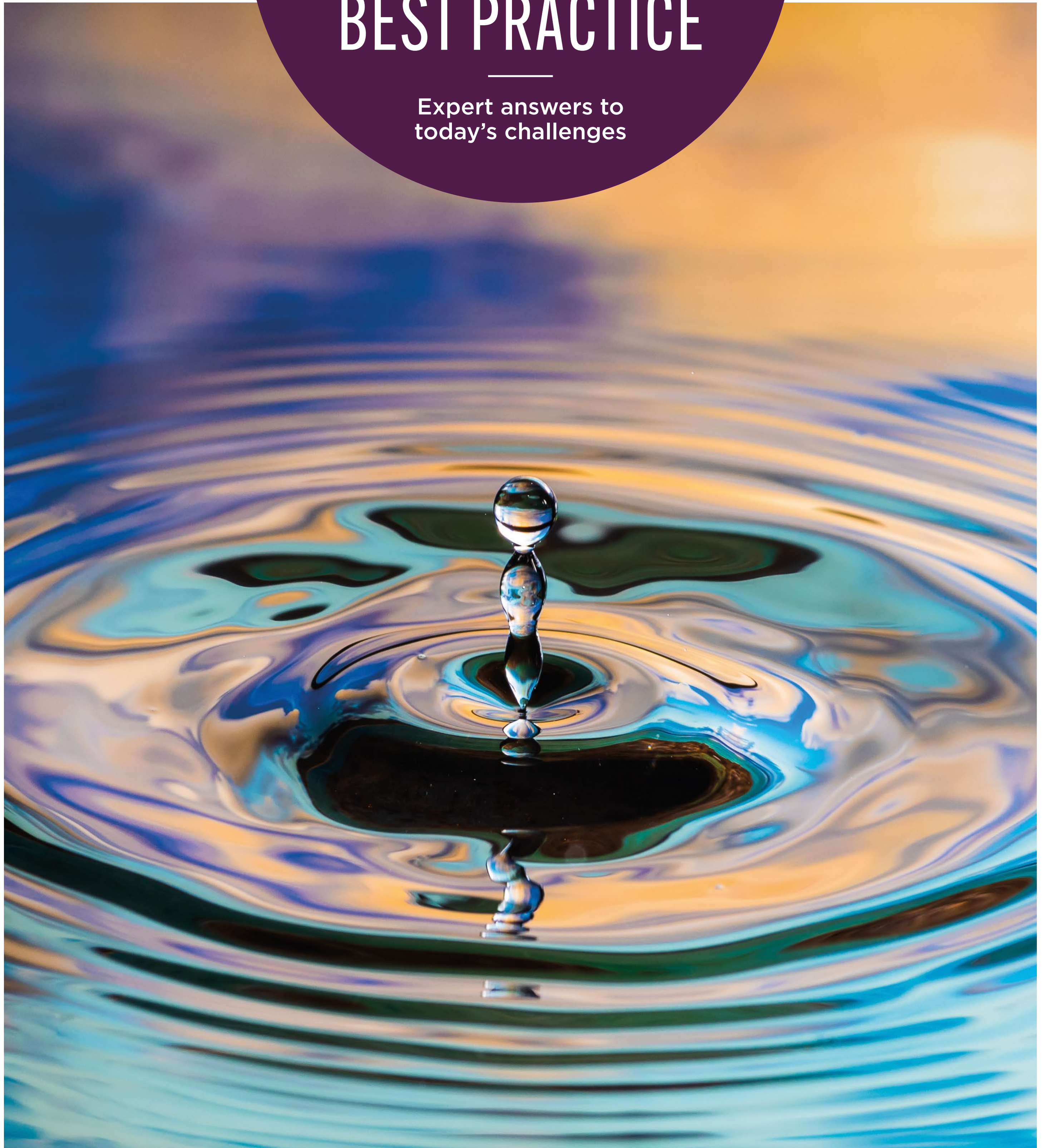
The future will belong to those who can harness and fine-tune AI rather than leveraging it as a replacement for human insight. Blending technology with strategy to navigate both current risks and long-term opportunities would, therefore, add a competitive advantage to the organisation.

> "Instead of being reactive to market conditions, treasurers will have the tools to anticipate changes and make adjustments proactively"

Thomas Gavaghan is vice president of global presales at Kyriba

BEST PRACTICE

Expert answers to today's challenges



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The top 10 key takeaways from the treasury conference in Dubai

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Lucy Reeve at Linklaters maps out how best to navigate the difficult path to successful buybacks

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Rising star and BAE Systems corporate finance analyst Kimran Virdi talks about the company's gender equity network

Shifting roles ahead in Middle East

Treasurers are expecting significant changes in the coming years, according to those who attended this year's ACT Middle East Treasury Summit

BIG PICTURE

Simon Ballard, chief economist, First Abu Dhabi Bank

Tariq Kazi, deputy president, ACT

Nearly 850 treasury specialists returned to Dubai in October to learn from experts across a wide range of treasury-related topics. Here are 10 key takeaways:

1. Treasurers expect their role will change in the next five years

Middle East (ME) treasurers across all industries anticipate significant changes to their roles over the next five years, driven by advances in technology. As automation and artificial intelligence (AI) streamline processes, ME treasurers said they are gearing up to shift from traditional tasks to strategic decision-making and focusing on data analysis, risk management, and optimising cash flow, leveraging real-time insights to enhance financial strategies.

2. UAE family-owned businesses are still debt shy, says top CFO

In the United Arab Emirates (UAE), family-owned businesses contribute up to 70% of GDP, according to the Ministry of Economy, and continue to be a powerful force in the Gulf region, the 2024 summit was told. The main challenge, however, is their perspective on debt and cash management, according to Maher Ousta, group CFO of Dubai-based technology company SIBCA. "It's essential to find a balance between leveraging cash and avoiding excessive debt for operations, such as payroll. Striking this balance is critical."

3. Banks are moving away from building their own fintech

A panel discussion assessed whether ME banks were better off seeking solutions with technology partners or building their own fintech. Viacheslav Oganezov, co-founder and CEO of London-based trade and supply chain company Finverity, said: "They [banks] should focus on what they are good at, which is underwriting, infrastructure and so on. There are plenty of examples of them spending hundreds of millions on in-house platforms, and it just goes nowhere." The speakers agreed that was the trend they were now seeing – banks moving away from building their own fintech and, instead, partnering with proven outside companies.

4. The Dubai real estate market is going from strength to strength

While other major global property markets struggle, Dubai's is seeing significant growth and resilience in 2024, "characterised by record-breaking transactions and increasing property values", according to Simon Ballard, chief economist, First Abu Dhabi Bank. The emirate's total property sales transactions value reached Emirati dirham AED115.6bn ($31.47bn) in Q1 2024, marking a 30% year-on-year increase. The off-plan (pre-construction sales) segment also continued to soar, representing 46% of the total transaction volume in Q1 2024.

Viacheslav Oganezov (left), CEO, Finverity

5. Growing expectation for treasurers to embrace sustainability objectives
There was consensus among conference speakers that treasurers must incorporate sustainability into their strategic frameworks. This includes evaluating the sustainability practices of suppliers and integrating environmental, social and governance criteria into investment strategies. Speakers highlighted the growing need for ME treasurers to align financial goals with sustainability objectives, reflecting a broader industry shift towards responsible business practices.

6. The outlook for the Egyptian economy is improving
In his opening keynote, Simon Ballard highlighted the current spot rate for the Egyptian pound (EGP) as 46.648 (per $1) – while the 12-month non-deliverable forward (NDF) rate is at 52.2/USD1 – saying it suggests that the market anticipates a fair value for the EGP to be around 50. The fact that the black-market rate was as high as EGP70/USD1 earlier this year indicates that the country is seeing "a dramatic stabilisation, and the outlook for the economy is improving", said Ballard.

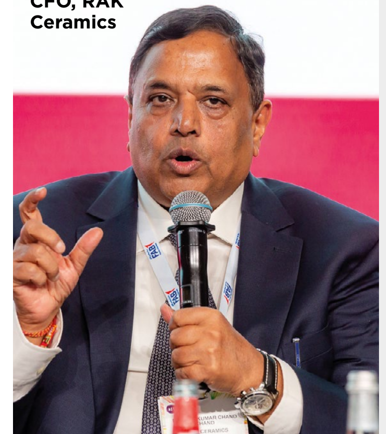
7. Emirates Development Bank (EDB) to boost UAE diversification
EDB, the UAE's only development bank, reiterated the importance of financing businesses in sectors of strategic importance to the UAE's economic diversification agenda. The bank has recently stated it will provide financing worth AED30bn ($8.16bn) by 2026, supporting approximately 13,500 companies operating in five priority sectors – manufacturing, advanced technology, renewables, healthcare, and food security.

8. Ras Al Khaimah is the emirate to watch in 2025
Pramod K Chand, group CFO of UAE-based international interiors company RAK Ceramics, said investors have woken up to the ease of doing business and the more relaxed lifestyle offered in the UAE emirate Ras Al Khaimah (RAK), "while still being able to hop over to Dubai to do business," being just 114km away. Chand explained that RAK's diversified economy, based on manufacturing, tourism, real estate and logistics, has led to consistent economic growth and stability. With the Gulf's first casino also being built there, he said all eyes will soon be on RAK; estimates suggest it will attract investment exceeding $2bn.

9. Long-term vision needed for AI, says investment group treasurer
There is still a lot of ME debate around AI, but many regional businesses are getting on board anyway, investing in these intelligent systems to enhance current processes, said Tamim Khalil, group senior treasury manager at Abu Dhabi's Ittihad International Investment. "When justifying a project to stakeholders, it ultimately comes down to efficiency. While cost is also a factor, having a long-term vision is vital. The control that technology provides is invaluable; if it helps prevent even one fraud incident, that is a remarkable achievement," he said.

10. Treasury automation can deliver competitive advantage
In today's rapidly evolving technological landscape, automation within the treasury function has become a critical driver of competitive advantage. However, success hinges not just on technology, but also on the ability of treasurers to lead and manage these transformations, a session hosted by consultancy firm Zanders heard. It explored how new technologies are transforming treasury operations, from streamlining processes to enhancing decision-making and risk management – understanding that critical leadership skills are paramount to drive successful IT transformations within the treasury function and identify the key competencies treasurers need to develop to lead such automation initiatives effectively.

Emma Procter is a freelance business journalist based in Dubai


Pramod Chand, group CFO, RAK Ceramics

Maher Ousta, group CFO, SIBCA

Share buybacks: what treasurers need to know

From administrative burdens to picking the right price, the route to a successful share buyback can be difficult to navigate without the right preparation and advice

REGULATORY & ACCOUNTING

Lucy Reeve, Linklaters

IN NUMBERS

£50bn
The amount spent each year by UK listed companies on share buybacks since 2022

40%
Percentage of FTSE 100 that bought back shares in 2023

On-market share buyback programmes are a popular method to return excess cash to shareholders (as opposed to increasing dividends): as they reduce the level of share capital in the market they have the advantage of increasing earnings per share and a corporate's gearing ratio. Since 2022, UK listed companies have spent approximately £50bn a year on share buybacks.

As a corporate treasurer, what are the top 10 things you need to think about when you are launching a new buyback programme?

1 Spoilt for choice? Gone are the days when a buyback would invariably be carried out by your corporate relationship brokers: there are multiple investment banks that offer this service and it is worth taking the time to explore the different options available. Make sure you are getting the most competitive pricing (both in terms of commissions charged and the price paid for the shares). Also explore what other doors can be opened (for example, on the lending side).

2 But it's not all about the money. Buyback programmes entail a number of administrative burdens. When choosing a broker, you should think about what additional support they can offer. For example, many brokers will release the required daily post-trade announcement on your behalf: this will be music to the ears of your company secretarial colleagues, who would otherwise have to stay late and arrange this every evening for months on end.

3 Pricing options. Some buybacks are carried out for a fixed commission. However, most UK buybacks incorporate some sort of incentive for the brokers to buy as many shares as possible within the set budget. This ensures the company pays the lowest possible price for its shares. At the end of the programme, the broker will calculate the average price per share the company has paid over the life of the programme and compare that to a benchmark price. The benchmark price is usually the volume-weighted average price (VWAP) per share in the market for the period, sometimes with a discount applied. Pricing models include:

- VWAP guarantee: the company always pays VWAP for the shares. A true-up payment is made at the end of the programme to cover the difference between actual amount paid and the VWAP price. A variation is sometimes seen, where the guaranteed price is a set discount to VWAP.
- Upside sharing: the company and the broker split the difference between VWAP (or discounted VWAP) and the actual cost of shares (again with a true-up payment at the end).

4 Do you have a handle on the maximum cost? The target spend typically excludes stamp duty (at 0.5%) and broker fees. It is essential that you understand the rationale and mechanics of how the true-up payment is calculated: ask the broker to model different scenarios or give an indication of the expected range so you are not taken by surprise by the invoice that lands in your inbox at the end of the programme. This will also help you explain the true-up payment to your CFO.

5 Structuring options. There are many different options for how your programme can operate. Your chosen broker can advise on what is realistic and how that impacts your pricing options. For example:

- Do you want to set a target daily or weekly spend, to remove as many shares as possible before your dividend payment dates or to ensure an even rhythm for the programme?
- Do you want to set a cap on the price per share that can be paid?

● Is there healthy liquidity in your shares? If not, it may be challenging to achieve the level of return in the time available without exceeding volume restrictions.

6 Where is the money coming from? To fund a buyback programme you will need both accessible cash and sufficient distributable reserves.

If you are borrowing to finance the buyback, will you come under fire from investors for doing so? Or is the fact that cost of equity is more expensive than cost of debt sufficient justification? If you are using cash on the balance sheet, could investors criticise the company for not investing that cash into long-term growth?

Companies sometimes get caught out where the group as a whole has enough distributable reserves but these are not at the plc level. Make sure intra-group dividends are paid up if necessary so that reserves are available in the individual accounts of the top company. If the most recent audited individual accounts do not show sufficient reserves (e.g., because you are relying on the proceeds of a recent disposal) you will need to prepare interim accounts and file those at Companies House before the buyback – otherwise the whole programme will be invalid.

7 What will you do with the shares? Repurchased shares can be cancelled or held in treasury. Treasury shares may be used to satisfy employee share awards or sold for cash in the future. If you want to keep the shares in treasury you will need to set up a CREST account for the company, which can take several weeks.

8 Termination rights. Companies often seek the right to terminate a buyback programme mid-flow without cause. This is usually acceptable to brokers, subject to the company not having inside information and not being in a closed period at the time of termination. However, it may cost you: brokers cannot guarantee they will achieve the desired pricing if you pull the plug early and so any VWAP discounts will usually be forfeited in these circumstances.

9 Tranches. You may wish to split your programme into different tranches (for example, a £100m total return carried out in two tranches of £50m). This gives you the chance to reflect on how things have worked with the first tranche and change the terms, or the broker, for the next tranche.

However, if the company has inside information when the time comes (for example, it is in the middle of negotiating a material acquisition) you might have to hold off launching that second tranche until the inside information has been announced (or has gone away).

10 Talk to legal and company secretary. Your legal and company secretarial teams will need to be involved in advance: to carry out checks on the legality of the programme, to ensure necessary approvals are obtained, and to set up processes for Companies House filings, total voting rights announcements and other ongoing obligations. Seeking advice from external counsel familiar with market practice can also help ensure that you are getting the best possible terms in your broker engagement.

Lucy Reeve is a corporate partner at Linklaters LLP. She regularly advises FTSE 100 and FTSE 250 companies on their share buyback programmes and other returns of cash to shareholders. **With thanks to Jasmeet Matharu, at IG Group plc, and Greig Guthrie, at Vodafone Group plc, for providing their insights**

SHARE BUYBACKS: THE KEY FEATURES

Company announces share buyback programme of a set amount over several months, often alongside interim or final results.

● Broker appointed to manage programme, on a discretionary basis, so parameters are agreed up front and the company has no further influence on trading decisions.

● Broker buys shares as principal, and sells those on to the company at the price it pays in the market. Broker fee is either a fixed percentage of spend or based on performance.

● Market Abuse Regulation safe harbour imposes pricing and volume limits, plus requirements for detailed announcements.

Diversify without dilution: financing through venture debt

RISK MANAGEMENT & STRATEGY

Unlike traditional equity financing, venture debt offers an opportunity to access additional capital while minimising dilution, argues Antony Baker

“There are multiple use cases in which venture debt can suit the situation of a business”

Venture debt is a valuable tool for treasurers to consider as part of their financial planning, and is becoming an increasingly popular alternative for those looking to extend their runway, lower their cost of capital and maintain growth momentum.

At a high level (although this is not a hard and fast rule), businesses that might suit the instrument are revenue generating, can demonstrate sustained growth in those revenues, and have a clear product market fit. These companies should have good business models with nice margins and pricing power, and can also ideally present decent levels of forecastability in their P&L. The majority – but not all – of these companies are venture capital or equity backed.

There are multiple use cases in which venture debt can suit the situation of a business. For example, to support organic growth, i.e. funding the organic burn of a business so that it grows its revenues as quickly as possible and therefore scales the enterprise valuation of the company, or to fund M&A, where the leading tech players in a market look to consolidate others and finance the acquisition of such targets without raising equity.

Key benefits of venture debt

One of the key advantages of venture debt is its ability to diversify a company’s funding sources. By incorporating venture debt alongside equity financing, treasurers can reduce reliance on a single source of capital, mitigating potential risks and enhancing financial stability.

In addition, it offers the opportunity to access capital at a lower cost compared with equity financing. This can be particularly advantageous for companies looking to optimise their cost of capital and minimise dilution for existing shareholders. By leveraging venture debt, treasurers can strike a balance between funding needs and preserving equity value.

Ultimately, venture debt provides access to financing that is used to get a business from one value point in its journey to the next, with less dilution along the way than if it used equity. These companies can then either raise an equity round 12 to 24 months later at a much higher valuation (i.e. saving lots of dilution for the shareholders than if they had used equity instead of the debt), or they may be bridged all the way to profitability, or even to an exit, thus avoiding raising more expensive capital at all.

Alongside lower dilution and a lower cost of capital from day one, it therefore also helps treasurers to optimise the timing of future capital raises, allowing the early shareholders to retain control and governance of the business.

When it doesn’t work

Shrinking businesses, with weak or falling margins are typically unsuitable. Very high burn, inefficient businesses are not ideal candidates – and even less so should they appear to be structurally loss making.

It’s worth noting that any substitution (in place of equity) should only be executed in successful, growing companies that could raise equity, but choose not to (rather than those who cannot raise venture capital, and instead are seeking debt as a last resort).

By incorporating venture debt into their financing programme, treasurers can unlock new growth opportunities and optimise capital structure, while retaining control for their shareholders.

Antony Baker is principal at Claret Capital Partners

T+1 shift is reshaping ETF landscape

REGULATORY & ACCOUNTING

Shortened trading settlement timeframes could impact cash flow forecasting and liquidity management

Europe's financial markets are poised for a shake-up as the move to T+1 settlement looms, set to take effect by 2028. Following the US's lead, this shift promises to change the way exchange-traded funds (ETFs) operate. On paper, T+1 (settlement made one day after a trade is made) is designed to improve market efficiency and reduce counterparty risk, but it's not all smooth sailing.

With Europe's complicated post-trading processes and the global exposure of many ETFs, the shift to T+1 could trigger a wave of settlement failures and strain on liquidity. ETF issuers and market makers are now faced with tighter deadlines, evolving market practices, and the pressure to upgrade their technology to keep pace.

"The T+1 model will have a marked impact on treasury operations, particularly in areas such as cash forecasting and liquidity management"

Immediate challenges

This heightened risk of settlement failures has already been flagged by the Securities Markets Stakeholder Group (SMSG) in its advice to the European Securities and Markets Authority. Europe's post-trading infrastructure, characterised by multiple central securities depositories and clearing houses, leaves little margin for error in a shorter settlement window. This risk is exacerbated by ETFs' reliance on market makers who frequently borrow stock – a practice that may not adjust quickly enough to the new, tighter settlement timeline.

This transition is also expected to result in wider spreads and potential inconsistencies in pricing, as market makers contend with greater risk and operational pressures.

Liquidity may also come under strain as funds revise their cash management strategies. In addition, the SMSG has warned of potential underperformance in Undertakings for Collective Investment in Transferable Securities (UCITS) funds, including ETFs, because of the cash flow mismatches brought about by misaligned settlement cycles. These issues highlight the need for thorough preparation and, potentially, regulatory interventions as the European ETF market adapts to this major operational change.

Mitigating risks

ETF issuers and market makers are under increasing pressure to formulate strategies that mitigate risk and adapt to the operational demands of this accelerated timeline. Already in place across the US, Canada and India, the T+1 model will have a marked impact on treasury operations, particularly in areas such as cash forecasting and liquidity management.

One of the priorities will be enhancing intraday liquidity management capabilities. With settlement periods shrinking from 48 to 24 hours, companies will need to maintain larger liquidity buffers and implement more advanced cash forecasting techniques. This may drive a shift towards more liquid and readily accessible vehicles to cope with the demands of T+1

Upgrading to more automated systems and real-time treasury operations will be critical. Drawing on lessons from the US market could provide valuable insights and potential roadmaps for European firms.

For organisations operating across multiple time zones, FX management strategies will also need to be rethought. More proactive and meticulous approaches will be required to address the heightened short-term volatility caused by T+1.

While these changes may initially result in opportunity costs, they are necessary for the long-term stability and efficiency of the markets. The real challenge will be in balancing the benefits of reduced capital lock-up with the cost of maintaining higher liquidity buffers, so companies must remain flexible and prepared for continued transformation in treasury operations.

Long-term implications

Over time, improvements in settlement quality, tighter spreads and greater market efficiency are expected to outweigh the complexities. However, addressing global discrepancies in settlement cycles will be critical, requiring coordinated action from market participants and regulators.

Marcus Treacher is executive chairman of RTGS.global

|brewer morris

Shoots of recovery ahead

As we approach the end of the year, businesses are looking to ramp up their hiring, and this has brought a sense of optimism to the treasury recruitment market

LEADERSHIP & CAREER

It was a slow start to 2024 for those looking to hire treasury talent or obtain a new role, and this trend continued into the summer. However, there are early signs that we are moving in the right direction after a tricky 12-month period, spurred on by market turmoil and global elections.

As we ended the third quarter of the year, I am pleased to say the market has turned a corner at all levels. The Brewer Morris treasury recruitment team registered 40% more vacancies in September compared with any other month this year, with a record number being exclusive and retained roles. Moreover, we have also outperformed September 2023 by some way.

"We are expecting the start of next year to be very busy"

The rise of the treasury analyst

The busiest area of the market in Q3 was at treasury analyst level, where we saw a record number of new hires brought to market. This was closely followed by businesses looking to hire senior interim professionals. The businesses I speak with are keen to use these interim professionals for key transformation projects, to drive innovation and act as a catalyst for growth.

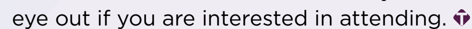
Additionally, there has been a decent increase in the number of senior treasury manager/assistant treasurer level opportunities coming to market. Primarily, this is down to a combination of natural attrition and newly created roles. This is having a positive impact on treasury teams. Group treasurers are seeing the benefit of having a strong number two to support them, as this allows for succession planning and for them to focus on the more strategic elements of the role. Currently, the candidate pool at this level is strong.

A look ahead to 2025

The common theme we are hearing from PE firms is that they are sitting on capital, waiting for the market to settle more before investing. Coupled with the Autumn Budget in the UK and the US election, there is still hesitancy from businesses to hire before the end of the year. As a result, we are expecting the start of next year to be very busy from a recruitment perspective.

This will be through first-time head of treasury hires for new PE-backed businesses and a rise in the number two level.

The next instalments in the Brewer Morris treasury team's breakfast roundtable series are coming up, as is the ACT conference and our Women in Treasury event. So keep an eye out if you are interested in attending.



Eliot Bates is group manager – head of UK, treasury at Brewer Morris

HOW BREWER MORRIS CAN HELP YOU FIND TREASURY TALENT

At Brewer Morris, we work with a wide range of skilled treasury professionals, with experience working in FTSE-listed commercial businesses and disruptive start-ups, through to highly regulated banking and financial services organisations. If you are looking to hire a professional for your treasury team, please don't hesitate to get in touch on **eliotbates@brewermorris.com** for a confidential chat about your career or any hiring needs you may have.

Alternatively, if you are a candidate looking for your next treasury opportunity, search for the latest treasury jobs on our website.

Diversity and sustainability award winners

The ACT has announced the winners of its inaugural diversity and sustainability awards, celebrating treasurers' impact and their progress across equity, diversity and inclusion, alongside sustainable finance initiatives

ESG

Sustainability (Large Corporate)
University of Cambridge
Recognising that organisations in its sector wished to move significant resources away from financing fossil fuels, the University of Cambridge organised a Request for Proposals project that harnessed reputation, financial resources and academic grounding to drive change. The judges were impressed with its impact, scale and influence.

Sustainability (Small Corporate and Professional Service Provider)
TreasurySpring
Wanting to move beyond financial metrics, TreasurySpring engaged with clients, partners, employees and industry stakeholders to understand its environmental, social and governance. The judges noted its genuine attempt to drive change. "It has combined pragmatism, scalability and its role as an enabler to support the whole treasury profession."

University of Cambridge

Diversity (Large Corporate)
National Grid
(Highly commended: First Group)
As well as playing a pivotal role in the energy transition and having a large focus on environmental sustainability, National Grid's extensive diversity, equity and inclusion (DE&I) policies are designed to foster a workplace in which all employees feel valued and empowered.

Diversity (Small/Medium Corporate)
Motus Holdings
The treasury team at Motus represents a microcosm of the corporate group in terms of diversity – gender, descent and age. The judges were impressed by the company's very comprehensive diversity and wider transformation strategy. "And it has the data to back this up."

PwC

Diversity (Technology and Professional Service Provider)
PwC
With a steadfast commitment to equity at its core, PwC last year launched a micro-inequities workshops programme, designed to raise awareness, promote open discussion and facilitate continued learning about micro-inequities, unconscious bias and allyship.

Diversity (Bank)
NatWest
(Highly commended: HSBC and Standard Chartered Uganda)
NatWest demonstrated a clear policy focused on recruitment, advancement and retention of diverse colleagues, benchmarked externally, with leadership held to account.

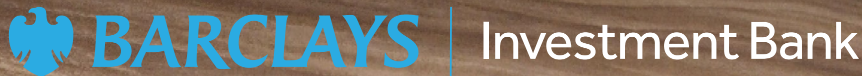
Rising Star
Kimran Virdi, corporate finance analyst, BAE Systems
Championing diversity and promoting gender equity at all levels in the organisation, Kimran Virdi added to BAE System's existing responsibilities by working with the organisation's Gender Equity Network (GEN) to accelerate progress. While many of the group treasury team are active in the network, Virdi sought to establish an open dialogue with the GEN community through interactive virtual sessions with smaller groups, promoting deeper engagement and conversation. (See *A Day in the Life*, p48)

Tom Macdonald

Diversity Business Leader
Tom Macdonald, solutions delivery director, Royal Bank of Scotland
Tom Macdonald is an inclusion champion, part of their organisation's Employee-led Networks and active in the Rainbow Network; both involve supporting colleagues in the UK and beyond.

OVERALL WINNERS:
Diversity Impact Award
PwC

Sustainability Impact Award
University of Cambridge



Powering integrated treasury solutions.

You need access to experts who understand the intricacies of your business's financial needs. Our integrated global treasury team will work with you to deliver tailored financial solutions that help power your organisation into the future.

Start Powering Possible with integrated solutions.

Phil Bowkley
Head of International Corporate Banking

Travis Barnes
Global Co-Head of Capital Markets

Barbara Mariniello
Global Co-Head of Debt Capital Markets

Graham Warner
Head of International Corporate Banking, Americas

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DIARY DATES

The ACT's Annual Conference is one of the highlights of the year

Our Deals of the Year event champions the work of treasurers

ACT EVENTS

19 MARCH 2025 | LONDON, UK

ACT CASH MANAGEMENT CONFERENCE

Join us for technical updates, and to learn how to optimise strategies and take practical action to manage cash and working capital success.

treasurers.org/events

27 MARCH 2025 | LONDON, UK

DEALS OF THE YEAR

The Deals of the Year Awards champion the outstanding work of treasurers, undertaken during 2024.

treasurers.org/events/awards/doty-24

20-21 MAY | WALES, UK

ACT ANNUAL CONFERENCE

The ACT Annual Conference returns to the ICC Wales. Join us to hear from expert speakers, discover innovative solutions and network with your peers. Focusing on five core pillars of treasury, the event will equip you with the knowledge, skills and tools to succeed in a complex and challenging landscape.

treasurers.org/events/conferences/annual-conference-2025

ACT TRAINING COURSES

Join one of our virtual training courses and expand your treasury knowledge in a week or less. 2025 dates will be announced shortly.

THE A-Z OF CORPORATE TREASURY

Gain an in-depth introduction to the corporate treasury function in international markets. This course is delivered in partnership with Zanders over two half-day sessions.

learning.treasurers.org/training/corporate-treasury

BLOCKCHAIN FOR CORPORATE TREASURY

Develop an understanding of how blockchain technology works and how these technological developments will impact treasurers. This course is delivered in partnership with Zanders over two half-day sessions.

learning.treasurers.org/training/blockchain-for-corporate-treasury

THE NUTS AND BOLTS OF CASH MANAGEMENT

Explore the principles and practices of cash and liquidity management and its importance to the business and treasury function in this one-day course.

learning.treasurers.org/training/cash-management

TREASURY IN A DAY

Gain the perfect introduction to corporate treasury in just one day. Follow the lifecycle of a new business and what key treasury questions arise throughout.

learning.treasurers.org/training/treasury-in-a-day

Congratulations

ACT celebrates the outstanding achievement award winners 2024

LEADERSHIP & CAREER

Find out more about the ACT's education programme by scanning the QR code

Every year the ACT has the opportunity to celebrate the brightest and best of its student members as they progress through their qualifications. The annual outstanding achievement awards select the highest-performing students across all ACT qualifications and from around the world. They also select the Gay Pierpoint Bursary Award – the highest-performing bursary student, which is in honour of former ACT Education Secretary and ACT advocate Gay Pierpoint.

STUDENT OF THE YEAR 2024

Diploma in Treasury Management

Adriano Iannone

Treasury manager operations, Inchcape

Studying for the ACT qualification has been an exciting journey over the past few years. It has helped me with my career progression, as I am more confident in running the business's treasury operations, placing robust risk mitigations and considering new treasury solutions and opportunities within my company.

Passion, dedication and determination were essential to overcoming challenges on new topics and achieving a great result. The extra resources the ACT offers also helped me, such as reading the ACT study materials, watching online webinars, asking questions on the forum and directly to the teachers, and practising using the various case study scenarios.

CERTIFICATE IN TREASURY WINNER 2024

Harriet Grant

NatWest

The Certificate in Treasury has delivered a strong foundation in risk management and has made me appreciate the dynamic nature of corporate treasury. It was a rewarding challenge of finding the balance between independent learning and full-time employment, and I was reassured to have the tutors on hand to quickly respond to any questions.

After completing the course, I have greater credibility in my profession within corporate FX sales, and I have more confidence in wider treasury conversations, which has added further value to my clients.

I've found that the ACT qualification is not just a one-time achievement, but part of a continuous learning journey, which I have thoroughly enjoyed.

CERTIFICATE IN INTERNATIONAL CASH MANAGEMENT WINNER 2024

Emma Staton

Cash specialist, transaction banking, Barclays Bank

As a cash management specialist at Barclays, the Certificate in International Cash Management was a practical and rewarding qualification that has allowed me to build on my experience and deepen my knowledge and understanding of how treasurers approach international cash management.

The knowledge I have gained from the course has proven invaluable for my role in supporting and advising my international corporate clients. The course content itself was relevant and accessible, with the ACT providing useful past papers and online learning support to help prepare for the assessment. I would highly recommend this qualification to those working within treasury or those, like me, who support treasury teams as part of their role.

AWARD IN INTERNATIONAL CASH MANAGEMENT WINNER 2024

James Cole

Product manager, core payments, HSBC

Studying for the award was both engaging and enjoyable. As the course was broken down into digestible modules, it was more

manageable than I expected to fit studying in alongside full-time work.

The content was highly relevant to my role as a product manager working in transaction banking – the broad insight into a wide range of cash management solutions and techniques has boosted my knowledge within the field and empowered me within my role. The qualification has enhanced my professional credibility within my organisation and with clients.

BURSARY STUDENT OF THE YEAR 2024 (GAY PIERPOINT AWARD)

Diploma in Treasury Management

Saima Jamil

Treasury and finance manager, TransWorld Associates PVT Ltd

Completing the diploma has been a transformative experience. The qualification helped me to understand treasury insights for corporate finance, working capital and, specifically, risk management concepts. Within the treasury field, the biggest challenge is the rapid changes in market dynamics, making it important to understand wider treasury concepts.

In my professional experience, I have not covered all treasury concepts, but the course content helped me to understand new concepts in detail. As a result of this qualification, I am more confident in my approach towards dealing with different situations and making better decisions.

I believe this qualification has already helped me in my career by adding important roles and initiatives to my profile. With a solid understanding of treasury management, I can provide valuable inputs to my employer and lead new assignments effectively.

For fellow students, I recommend actively engaging in webinars, social forums and conferences, to stay up to date with the latest trends in treasury. It's important to improve your skill sets by accepting new challenges at work, taking the initiative, and applying your concepts.

ACT MIDDLE EAST TREASURY AWARDS 2024

The prestigious ACT Middle East Treasury Awards 2024 honour the remarkable accomplishments of companies and individuals who have displayed exceptional innovation and excelled in key areas of corporate treasury.

CAPITAL RAISING AWARD

Winner: Kuwait Food Company/ Americana

CASH MANAGEMENT AND WORKING CAPITAL SOLUTIONS AWARD

Winner: Omeir Bin Youssef Group

SUSTAINABILITY AWARD

Winner: Royal Golden Eagle
Highly commended: QTerminals

TREASURY SYSTEMS AWARD

Winner: Landmark Retail

TREASURY TRANSFORMATION AWARD

Winner: Edge Group

VISA PAYMENTS INNOVATION IN TREASURY AWARD

Winner: EMAAR

SME TREASURY AWARD

Winner: Al Salaam Limousine
Highly commended: New Manor House

FUTURE LEADER IN TREASURY AWARD

Winner: Balqees AlJaberi, ADQ (pictured above)
Highly commended: Nawaf Almutairi, Dammam Airports

TREASURY TEAM OF THE YEAR AWARD

Winner: Kuwait Food Company/ Americana

FAB TREASURER OF THE YEAR

Winner: Cuan Duncan, ADQ

FAB PIONEER IN TREASURY AWARD

Winner: ADNOC

TREASURY PROFESSIONAL OF THE YEAR AWARD

Winner: Shabbir Ahmad, Landmark
Highly commended: Eyad Abdel Rahman, Ittihad International

THE FOLLOWING STUDENTS ALSO RECEIVED AWARDS:

CERTIFICATE IN INTERNATIONAL CASH MANAGEMENT AWARD

Fady Roshdy, HSBC

CERTIFICATE IN TREASURY FUNDAMENTALS AWARD

Naser Al Radwan, Boubyan Bank

CERTIFICATE IN TREASURY AWARD

Omar Lashko al Balushi, Energy Development Oman

DIPLOMA IN TREASURY MANAGEMENT AWARD

Jamana Salim Said Al Qassabi, Sohar International

A day in the life: Kimran Virdi, BAE Systems

Named as the ACT's diversity and sustainability rising star, corporate finance analyst Kimran Virdi talks about her work with the defence company's gender equity network and how treasurers can help drive progress

ESG

It was a big day (or rather night) for Kimran Virdi in October when she won the Rising Star award at the ACT's inaugural Diversity and Sustainability Awards. The award shone a spotlight on the diversity work that the corporate finance analyst at BAE Systems carries out, recognising how Virdi champions diversity and promotes gender equity at all levels in the organisation.

"The award came as a complete surprise," Virdi recalls, "especially as we were sat right at the back of the room. I said as much to our group treasurer, Raj Patara, who had nominated me, but then I heard my name called!"

Virdi has been with BAE Systems for four years, having joined the defence and aerospace group as a graduate recruit in 2021, at a time when most staff were working remotely. She is part of the 15-strong group treasury team, having previously moved around the organisation while she studied for a management accounting qualification.

"We see ourselves as the financial backbone of the organisation, ensuring that it has the funding, liquidity and risk strategies in place both to support the daily operations as well as our long-term strategic goals," Virdi explains. "So our work is integral to helping the group grow sustainably while protecting against potential risks."

But she adds that having diversity, equity and inclusion is also integral to building a workplace culture "where people can thrive and feel valued". It is her own lived experience that drives this commitment: "My grandparents came to the UK in the 1960s and they faced significant discrimination in the workplace – the mantra of needing to work twice as hard to achieve half as much was very much their reality. My parents were born and raised here, but they also faced adversity that limited their professional opportunities. Their struggles have, I think, instilled in me a strong work ethic."

But while admitting that she was apprehensive when she first entered the workforce, "when I started at BAE Systems, I was really fortunate because the teams were so nurturing and supportive. My managers and colleagues have always empowered me, building my confidence and allowing me to take on opportunities that are outside my comfort zone."

However, Virdi recognises that her experience is not necessarily universal, and it was this recognition that drove her to help create similar opportunities for others. This led her to become actively involved in BAE Systems' gender equity network (GEN). "This has allowed me to contribute to and develop some really meaningful initiatives."

One such initiative is the Accelerating Progress Forum. "GEN provides a vital platform for discussing and addressing gender equity issues, but the Accelerating Progress Forum takes this one step further by creating an interactive and open dialogue on gender-related issues – it facilitates connections, mutual learning and the sharing of experiences, which has fostered a stronger sense of unity across our global teams." The idea was not to just focus on events on key dates such as International Women's Day, but to ensure the conversation continues beyond these events.

"One of the most impactful aspects of this work has been establishing this feedback loop," Virdi explains. "We actively gather insights and concerns from our employees, which we relay to our leadership team to ensure our voices are heard and considered in the decision-making process."

One area that Virdi is particularly keen to develop is how team members can develop contacts and networks in a virtual environment. "We are discussing how to form guidance on how to build an inclusive environment virtually."

After Virdi collected her award, she comments that a number of people asked what would be

Kimran Virdi (left) receiving the ACT Rising Star award from immediate past president Joanna Bonnett at the ACT's diversity and sustainability awards

"We are looking at how we can build space for everyone"

Flying high: BAE Systems currently supports more than 5,000 early careers individuals

next. For her, it might not necessarily be a new idea, but rather building on the success that the forum has achieved so far and extending it to other employee resource groups.

"I work predominantly within the gender equity group, but we have groups supporting people of different ethnicities, one supporting veterans, the LBGTQ+ community and our colleagues with disabilities. So, I think by expanding our scope, we are aiming to foster a more intersectional approach to inclusion, where all employees feel represented and supported.

"We are looking at how we can build space for everyone. It is an added layer of complexity, but for the company as a whole, it is always working to improve the employee experience. I think the message is very much that it wants everyone to feel valued and respected and have that sense of belonging.

BAE Systems employs around 100,000 people in more than 40 countries. It develops, engineers, manufactures and supports products and systems to deliver military capability, protect national security and people, and keep critical information and infrastructure secure. But it is a business that aims to operate responsibly and sustainably, saying "we are focused on inspiring and developing a diverse workforce and making a positive social and economic contribution to our communities".

It has set itself the target of ensuring that women make up at least 50% of its executive committee by 2030, and that in the UK at least 30% of the whole workforce will be women by the same year. It is also aiming to increase representation of race, ethnicity and gender in its workforce across all its locations.

For those that are considering supporting such ambitions within their own organisations, Virdi has this advice: "The first step is to listen and to learn from the people around you and to look for those safe spaces to ask questions, so that you can develop a better understanding of different perspectives. And if those spaces don't exist yet, then make them.

"You want to create an environment where people feel safe and comfortable to share and speak up and connect with your colleagues to understand what the pain points are, what the challenges are, and where the opportunities then exist for you to make your mark."

She adds there is a need to be consistent and patient. "I think diversity, equity and inclusion often leads to gradual change and it requires perseverance. It helps to remember the impact that even small changes can have. It is not just about improving culture, but embracing innovation. If people are happier to be here, then ultimately that improves the company's reputation, too.

"And even if it only helps one person feel better about their day, that's enough."

Phil Smith is editor of *The Treasurer*

IN NUMBERS

100,000
Employees around the world

40
Countries in which it operates

£23bn
Revenue (2023)

£2.6bn
Operating profit (2023)

50%
Women on the executive committee by 2030

6
Core employee resource groups: disability; gender; wellbeing; veterans; cultural diversity and LGBTQ+

Natural solutions

ESG

Katie Leach is head of nature at Lloyds Banking Group

Find out more about Lloyds' nature report by scanning the QR code

"Urgency remains to mobilise funding if we are to avoid both ecological and economic disasters"

The devastating impact of nature loss is increasingly clear. Not just in terms of how many species we lose each year – we have seen a 73% decline since 1970 in wildlife populations – or through greater awareness of businesses reliance on nature – 55% of global GDP is reliant on ecosystem services – but crucially in its symbiotic relationship with climate. The stronger and healthier nature is, the more it is able to protect us and limit the severity of climate change effects.

Nature loss isn't a theoretical issue, it directly impacts all our lives and at a business, national and global level urgent action is needed to halt and reverse nature loss.

At COP16 – the 'Biodiversity COP' – which took place in October, governments set out plans to implement the targets and goals of the Global Biodiversity Framework (GBF), a key focus of which was to align financial flows with the GBF and mobilise at least $200bn for biodiversity conservation every year between now and 2030. With record numbers of business leaders gathered to galvanise action on this vital issue, the private sector demonstrated its willingness to participate and support biodiversity and nature.

A total of $163m in new pledges was committed to the Global Biodiversity Framework Fund by the end of COP16. And although there is much still to be done, this is hard won progress, as the private sector continues to explore how it can support Target 19 of the Global Biodiversity Framework "to mobilise $200bn per year for biodiversity from all sources".

Urgency remains to mobilise funding if we are to avoid both ecological and economic disasters; the WEF suggests 55% of our economy is highly or moderately reliant on nature, but I challenge you to think of a supply chain that does not start in nature or use water in some way. The good news is whether at COP16 or within our own business, across finance, science and policy, the need for greater alignment between climate and nature strategies is increasingly being recognised. Fundamentally, protecting and restoring nature goes hand-in-hand with supporting the transition to a low-carbon economy.

At Lloyds Banking Group, we recognise the importance of nature-based solutions in the agricultural and urban environment and have started on a journey to educate ourselves and our clients. An important part of this is our partnerships where we collaborate and learn from those working directly with nature such as Soil Association, The Woodland Trust and Projects for Nature.

Wellbeing and biodiversity benefits

Nature-based solutions (NbS) protect, sustainably manage and restore natural and modified ecosystems in ways that address societal challenges – for example flooding resulting from climate change – to effectively provide both human wellbeing and biodiversity benefits.

Even simple steps such as tree and hedgerow planting can have enormous benefits. In urban areas, additional trees and hedgerows act as flood defences while providing new habitats, and for farming it improves soil heath and long-term resilience. Furthermore, NbS offer enormous savings compared with traditional infrastructure. They often have lower capital and maintenance costs and globally can achieve up to 50% cost savings compared to grey infrastructure, offering potential savings of $250bn annually.

To explore the opportunity NbS pose for the UK, Lloyds has developed a paper with input from the RSPB, exploring the potential positive outcomes for nature, climate, and people, and how to unlock their delivery at scale. It's clear we need to align global financial flows with the Global Biodiversity Framework. Business and finance have a key role to play and must work alongside the public sector to improve data quality, develop new financial mechanisms and contribute to a regulatory and policy environment than can unlock financial flows towards nature recovery at scale.

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