ACT EDUCATION

ACT EXAMINATION PAPER

Diploma in Treasury Management (AMCT)

Unit 4a: Financial reporting, tax and regulation for treasury

March 2026

This is a past paper for Unit 4a of the Diploma in Treasury Management (AMCT)

Based on the syllabus assessed from 1 August 2022.

INTRODUCTION

This past paper has been produced by the Awarding Body at the Association of Corporate Treasurers (ACT) to assist students in their preparation for the Diploma in Treasury Management assessments. It is important to highlight that the answers provided in this paper are not exhaustive and that any other reasonable answers would be awarded marks where necessary in a marked assessment. It contains a past exam for the specified unit as well as past answers. Ideally, students should have completed the majority of their Diploma in Treasury Management studies for Unit 4a before attempting this past paper.

Students should allow themselves 180 minutes to complete the exam plus an additional 15 minutes reading time. They should then review their performance to identify areas of weakness on which to concentrate the remainder of their study time. Although the past exam in this guide is typical of a Diploma in Treasury Management assessment, it should be noted that it is not possible to test every single aspect of the syllabus in any one particular exam.

To prepare properly for the examination, students should make full use of the tuition options where available and read as widely as possible to ensure that the whole syllabus has been covered.

ASSESSMENT TECHNIQUE

This paper is a professional paper that as well as testing theory expects application to practice at a managerial level.

The best way to approach written assessments is to work methodically through the questions. You should not spend too much time on any one question if you are struggling to think of an adequate answer. Remember you can flag any question to come back to later should you want to continue your way through the exam.

When all of the questions have been answered, it is prudent to use any remaining time to go through each question again, carefully, to double-check that nothing has been missed. Altering just one response could make the difference between passing and failing.

Please ensure you show your workings within your answer when prompted as this means there are marks available for the workings out. You will be able to make rough workings on a piece of paper during the exam and on screen should you wish to, however these will not count towards your final mark.

ASSESSMENT INFORMATION AND TEST SPECIFICATION

The Diploma in Treasury Management Units 4A and 4B each have 3 mandatory written questions. The papers will be split into sections A and B and will involve a pre-seen case study for Section A that is released no later than two weeks prior to the assessment date. Each unit exam is worth a total of 100 marks. For the purpose of this past paper the questions follow each case study.

Diploma in treasury management assessment test specification:

Section	Amount of questions	Marks available
Section A	1 case study based question	50
Section B	2 shorter case study based questions	25 marks each
Total	**3**	**100**

Under exam conditions, **3 hours** (180 minutes) is allowed for the Diploma in Treasury Management assessments plus an additional 15 minutes reading time.

When you take your actual exam, you will be sitting online using your own PC/Laptop. You have access to an online scientific calculator, but for the purpose of this past paper, you may use a non-programmable scientific calculator.

In order for you to determine how well you have performed, sample mark schemes are provided after each question. Please note that these are mark schemes only and not model answers. They provide lists of points that are expected to be covered within answers, although the content of your answers must be much more detailed (satisfying the command word used in the question, for example 'analyse'). As with all mark schemes, the content is indicative only, i.e. the lists of points featured are not exhaustive. It is highly likely that there are other perspectives and, provided these are valid and supported fully, marks would be awarded for these in a live exam. There are also references to the relevant Learning Outcomes if you need to revisit the associated material.

SECTION A

1 long form question worth 50 marks based on a pre-seen case study. This question should test knowledge, analysis, application insight, evaluation and justification as appropriate to level descriptors. This is a professional paper and application to practice should be at 'management' level.

Total available for Section A: 50 marks

QUESTION 1: CASE STUDY

Packaged Health Foods plc (PHF) is a UK-listed multinational food manufacturing and distribution company that produces packaged meals under several consumer brands. Headquartered in Leeds, PHF operates manufacturing plants in the UK, Ireland, France and Poland, supplying major supermarkets and food service clients across Europe. PHF employs more than 7,000 people and reported annual revenue of EUR1.3bn and EBITDA of EUR175m in FY2024.

Over the past five years, PHF has expanded rapidly through acquisition, which has strengthened its market position but also created challenges in integrating systems and processes. The group treasury function is centralised in Leeds and reports to the chief financial officer (CFO). Group treasury is responsible for managing group funding, liquidity, foreign exchange (FX), and financial risk, although several subsidiaries continue to operate semi-autonomously, with limited oversight from group treasury.

Operations and funding

PHF earns approximately 55% of its revenue in EUR, 25% in Polish zloty (PLN), and the remaining 20% in GBP. Operating costs are largely denominated in EUR and PLN, reflecting the locations of its production facilities. Corporate and debt service costs are based in the UK and payable in GBP, but PHF elected to have its presentational currency in EUR.

On 31 March 2025, PHF reported consolidated net debt of GBP260m, producing a net debt-to-EBITDA ratio of 1.49 times. However, forecasts for FY2026 suggest that net debt could increase to around GBP310m due to higher working capital requirements and a newly built factory in Poland. The treasury team has been instructed to monitor covenant headroom carefully and provide monthly reports to the CFO and lenders.

The French subsidiary also has a EUR20m intercompany loan from the UK parent, on which interest is charged at 4%. The loan has no fixed maturity or repayment schedule and the group tax department has warned that this may attract scrutiny by tax authorities.

Cash management

PHF's cash management structure is fragmented, with more than 60 operational bank accounts spread across four countries and multiple banking partners. Several accounts date back to legacy acquisitions and remain outside treasury's control. Subsidiaries are responsible for managing their

own payables and receivables, leading to inconsistent forecasting and limited cash visibility at group level. Treasury currently receives weekly cash reports from each subsidiary, compiled manually in spreadsheets and these are often inaccurate or delayed.

PHF has a whole team of management accountants working on bank reconciliations monthly, which is inefficient and time consuming. The CFO is keen to reduce resource and lower overhead costs.

PHF experiences moderate seasonality, with higher demand for its frozen meal range during colder months. The business typically increases production and inventory levels in late Q3 to prepare for Q4, but mild winters have occasionally left the PHF group holding excess stock. This pattern has contributed to uneven cash utilisation and frequent use of overdrafts in early spring. PHF's main UK overdraft facility of GBP25m has been drawn for much of the past year.

To address these inefficiencies, the PHF Group Treasurer has proposed implementing a multicurrency notional cash pool across the UK, France and Ireland, supported by PHF's principal bank. The proposed structure would consolidate balances virtually in EUR and GBP. However, several country finance directors have resisted the change, citing concerns over local autonomy and the treatment of intercompany balances.

Internal audit has also noted weaknesses in bank account governance. In some cases, payment authorisation rights were retained by staff who had transferred to other business units, and certain dormant accounts remain open. Treasury has been advised to establish clear procedures for account opening, maintenance and closure, as well as to implement a standardised approval hierarchy for all electronic payments.

Foreign exchange risk

PHF is exposed to both transactional and translational foreign exchange risk. Transactional exposures arise primarily from raw material purchases in PLN and revenue streams in EUR and GBP. Translational exposure arises when the results of foreign subsidiaries are consolidated into PHF's EUR denominated accounts.

The treasury team manages FX exposures on an ad hoc basis. Forecasts of foreign currency flows are received irregularly from subsidiaries, often without supporting documentation. PHF's primary hedging instruments are forward contracts, which are executed through a variety of FX brokers. These contracts are intended to hedge forecast cashflows for up to 12 months, but treasury has no formal policy governing hedge ratios and does not apply hedge accounting.

In early 2025, PHF entered a three-month forward contract to purchase PLN40m against EUR to hedge raw material payments for the Polish subsidiary. Due to a delay in supplier invoicing, only half of the expected exposure materialised before the forward matured. The resulting gain of EUR120,000 was booked onto the balance sheet as the group treasurer argued that the hedged item was not fully realised so the hedging instrument should also not be realised. The CFO was not convinced of that assessment.

Tax and transfer pricing

PHF's international funding structure has attracted increased attention from tax authorities in several jurisdictions. Interest paid by the French and Polish subsidiaries to the UK parent has been challenged on the basis that the loans may not meet the arm's-length principle under OECD

transfer pricing guidelines. The French tax authorities have also questioned whether the 4% interest rate on the intercompany loan exceeds market rates, which could result in a partial disallowance of interest deductions.

Dividends remitted from the Polish subsidiary are subject to a 19% withholding tax. The tax team has discovered that exemptions have not been consistently applied across subsidiaries, leading to potential double taxation. Treasury's lack of documentation for intercompany interest calculations and dividend repatriation schedules has compounded the issue. The CFO has asked for a proposal to replace intercompany loans with formal equity injections in highly leveraged subsidiaries, thereby reducing exposure to transfer pricing challenges.

Governance and controls

The latest internal audit highlighted significant weaknesses in treasury governance. Segregation of duties is poor within smaller subsidiaries, with limited oversight of payment approvals and bank access. Treasury documentation, including facility agreements, ISDA schedules and guarantees, is scattered across multiple shared drives with no central version control.

Counterparty credit exposure is not systematically monitored, and the group lacks a consistent framework for assessing bank risk. The auditors also noted the absence of a formal treasury policy document, meaning that key responsibilities and reporting lines are unclear.

QUESTION 1

a.	Evaluate PHF's current cash management practices. Your answer should include consideration of pooling structures and appropriate internal controls.	15 marks
b.	Examine PHF's current approach to FX management and how a formal FX policy could enhance control and reduce volatility.	15 marks
c.	Assess the tax risks associated with PHF's intercompany funding arrangements. You are also required to propose how PHF could improve compliance and tax efficiency in line with OECD transfer pricing guidance.	12 marks
d.	Discuss the weaknesses in PHF's treasury governance framework. You are also required to recommend **THREE** changes PPHF could make to improve in this area.	8 marks
		Total: 25 marks

Mark Scheme

Q1a

PHF's cash management structure is fragmented, with over 60 bank accounts across four countries and multiple banking partners, making it very hard to manage and results in issues. Several accounts date from past acquisitions and remain outside group treasury's control, reducing visibility. Subsidiaries manage their own payables and receivables, leading to inconsistent forecasting and limited group-level oversight. Manual reporting through spreadsheets increases the risk of delays and inaccuracies in cash forecasts. Weekly cash reports from subsidiaries are unreliable, resulting in poor liquidity planning and reactive cash management. A large number of local bank accounts leads to duplication of balances and inefficient use of cash. Idle balances in some subsidiaries coexist with overdrafts elsewhere, increasing finance costs.	1 mark per point

The UK overdraft facility of GBP25m has been consistently drawn, indicating weak central control over liquidity. Bank reconciliations are performed manually by management accountants, consuming resources and increasing operational cost. Absence of central oversight increases operational risk and potential exposure to fraud or error. Local autonomy has created resistance to centralisation, making policy enforcement inconsistent. Implementing a multicurrency notional cash pool would allow PHF to consolidate surplus and deficit balances virtually across the UK, France and Ireland. A notional pool avoids intercompany loans, simplifying accounting and minimising withholding tax issues. Alternatively, a physical cash pooling structure could be used if legal or banking restrictions limit notional pooling, enabling daily sweeping of funds to a master account. Automation of bank reporting through pooling or TMS integration would improve real-time visibility and accuracy of cash data.	**Total marks: 15**

Q1b

PHF is exposed to both transactional and translational FX risks due to its multi-currency operations (EUR, PLN, GBP). Transactional exposures arise from raw material purchases in PLN and revenues in EUR and GBP. Translational exposure occurs when foreign subsidiary results are consolidated into EUR financial statements. Treasury currently manages exposures on an ad hoc basis, without a structured FX policy or defined hedge ratios. Forecasts of currency flows from subsidiaries are inconsistent and unsupported, leading to unreliable exposure data. Forward contracts are used, but execution is through multiple brokers, creating operational complexity and counterparty risk. The lack of centralised oversight makes it difficult to monitor total group exposure or ensure consistent hedging practices.	1 mark per point

The recent PLN forward contract issue (over-hedging due to delayed supplier invoicing) illustrates the lack of exposure tracking and documentation.

Treasury's decision to defer recognition of gains/losses shows uncertainty around IFRS 9 treatment and weak accounting understanding.

Absence of hedge accounting results in unrealised derivative gains and losses flowing through P&L, increasing reported FX volatility.

A formal FX risk management policy would define exposure types, hedge ratios, instruments permitted, and approval authorities.

It would require consistent forecasting processes from subsidiaries, with standardised reporting templates.

Clear documentation and governance would improve control, reduce operational errors, and ensure consistent decision-making.

Centralised execution and counterparty limits would reduce transaction costs and mitigate credit exposure.

Integration of FX policy with cash flow forecasts would allow proactive management of exposures, rather than reactive hedging.

Total marks: 15

Q1c

The EUR20 million intercompany loan from the UK parent to the French subsidiary carries a 4% interest rate but lacks a fixed maturity or repayment schedule.

Absence of formal loan terms may cause tax authorities to challenge the commerciality and arm's-length nature of the arrangement.

The fixed 4% rate may not reflect market conditions, exposing PHF to potential transfer-pricing adjustments or disallowance of interest deductions.

Lack of documentation and benchmarking violates OECD principles requiring contemporaneous evidence of arm's-length pricing.

Thin-capitalisation concerns arise where debt levels at subsidiary level are disproportionate to equity, limiting interest deductibility.

Interest income and expenses may not be correctly matched across entities, leading to double taxation or mismatched timing of recognition.

Introduce a formal intercompany funding policy that sets out pricing, repayment terms, and acceptable debt-to-equity ratios.

1 mark per point

Benchmark all intercompany interest rates using market comparables or third-party data to demonstrate arm's-length compliance.

Prepare and maintain transfer-pricing documentation consistent with OECD guidelines

Ensure consistent application of withholding tax exemptions under the EU Parent–Subsidiary Directive and relevant double tax treaties.

Develop an intercompany interest reconciliation process to align income and expense recognition across entities.

Review all loan arrangements for appropriate maturity, repayment, and guarantee terms to reflect commercial practice.

Total marks: 12

Q1d

Lack of formal treasury policy: There is no documented framework defining responsibilities, authorisation limits or approved instruments.

Poor segregation of duties: In smaller subsidiaries, individuals can both initiate and approve payments, increasing the risk of fraud and error.

Inconsistent oversight: Subsidiaries operate semi-autonomously, resulting in limited central control over treasury activities.

Weak documentation management: Facility agreements, guarantees, and ISDA schedules are dispersed across shared drives without version control.

No counterparty credit limit framework: Exposure to banks and brokers is not systematically monitored or reviewed.

Establish a formal treasury policy covering risk appetite, approved instruments, reporting standards, and delegated authorities.

Implement a secure, centralised document repository for all treasury and banking agreements with clear version control.

Introduce counterparty credit limits and perform regular credit reviews to monitor exposures.

This mark scheme is not exhaustive – all valid points within answers will be awarded marks.

Syllabus refs: Syllabus refs: 4.1.1, 4.1.2; 4.2.4, 4.1.3; 4.3.2, 4.3.3, 4.3.4; 4.4.2; 4.4.3.

Total marks: 8

Total: 25 marks

SECTION B – 50 MARKS

2 longer form questions, based on mini case studies, of which both are compulsory (2 x 25 marks).

Questions test knowledge, analysis, application, insight, evaluation and justification as appropriate to level descriptors. This is a professional paper and application to practice should be at 'management' level. Candidates are expected to be able to synthesise knowledge from different elements of the syllabus rather than be tested on discrete areas.

Total available for Section B: 50 marks

QUESTION 1: CASE STUDY

Total Logistics Ltd (TLL) is a UK-based logistics and freight company, operating mainly in Western Europe. Headquartered in Birmingham, TLL operates distribution depots in Ireland and Germany. It employs over 3,000 staff and generates annual consolidated revenues of GBP420m. TLL's clients include large online retailers and manufacturers who rely on TLL's next-day and express delivery services.

TLL has experienced rapid growth since 2020, driven by the pandemic where home deliveries experienced an all-time boom. However, the pace of expansion, including recent expansion into the Netherlands has exposed weaknesses in treasury controls.

Foreign exchange

TLL's exposure to foreign exchange risk has grown in line with its expanding European operations. Although most of its revenue continues to be earned in GBP from UK customers, a large share of operating costs is now denominated in EUR. These include warehouse leases, vehicle contracts and staff expenses in the Netherlands, Germany and Ireland.

To fund its investment in the Netherlands, TLL secured a EUR20m five-year term loan from a Dutch bank in 2023. The facility, priced at EURIBOR plus 2.5%, carries quarterly interest payments in EUR. This arrangement has added further euro exposure to the group's balance sheet and introduced ongoing interest payment obligations in a foreign currency.

Group treasury, based in Birmingham, is responsible for managing all funding and hedging activities across the business, including those of its overseas subsidiaries. To manage expected EUR outflows, the team operates a rolling programme of 12-month forward contracts to buy EUR against GBP. These are intended to cover forecast payments for payroll, leasing and loan servicing in Europe.

However, TLL's current approach to foreign exchange risk management has created some potential issues. The forward contracts are recorded in the UK entity's accounts, while the exposures they hedge originate in the Dutch subsidiary. This creates uncertainty over whether hedge accounting

under IFRS 9 can be applied, as the hedged items are not formally designated or documented at subsidiary level.

There are also practical challenges with timing. Subsidiaries often make EUR payments earlier or later than planned, and some hold EUR receivables that are left unhedged. These mismatches have led to periods of both over-hedging and under-hedging, exposing the group to unnecessary currency volatility.

Tax and intercompany funding

TLL's cross-border structure has given rise to several tax and intercompany funding issues. The Dutch subsidiary is partially funded through a capital injection and supported by a UK parent guarantee. Local tax authorities have questioned whether TLL UK should charge a guarantee fee for providing credit support on the Dutch facility.

In addition, interest payments on the EUR20m loan may not be fully deductible under Dutch thin-capitalisation limits, as the subsidiary's debt-to-equity ratio has increased following expansion. The group tax department has recommended reviewing capital structures across all entities.

TLL also recharges several intercompany services such as IT support, vehicle maintenance, and management costs. These are currently invoiced inconsistently, with some lacking VAT registration or sufficient documentation. Local auditors have warned that TLL could face non-recoverable input VAT and compliance penalties.

The chief financial officer (CFO) has asked treasury and tax to collaborate on developing a formal intragroup funding and recharge policy to ensure all transactions are conducted on an arm's-length basis, with appropriate transfer-pricing documentation and VAT treatment.

QUESTION 1

a.	Analyse the FX risk management issues faced by TLL. In your answer, you are also required to discuss whether the forward contracts qualify for hedge accounting under IFRS 9.	13 marks
b.	Assess TLL's tax and intercompany funding risks. You are also required to recommend how TLL treasury could work with tax colleagues to ensure compliance and efficiency.	12 marks
		Total: 25 marks

Mark Scheme

Q1a

Exposure arises because revenues are mainly in GBP while operating costs and debt service are in EUR. Both transactional and translational FX risks exist due to multi-currency operations. Transactional exposures relate to EUR costs (leases, payroll, loan interest) funded from GBP income. Translational risk arises from consolidating euro-denominated assets and liabilities into GBP accounts. Funding via a EUR loan increases balance sheet exposure to currency movements. The EUR20m Dutch loan increases balance sheet exposure and introduces ongoing EUR interest payments. Use of 12-month rolling forward contracts to buy EUR against GBP helps manage forecast payments however, hedging strategy is not aligned with actual cashflows where payments occur earlier/later than forecast, leading to over- or under-hedging. Centralised booking of contracts in the UK entity creates accounting and documentation misalignment with subsidiary exposures. Reliance on forwards without evaluating alternative hedging instruments (such as natural hedging or options) limits flexibility in managing volatility.	1 mark per point

Under IFRS 9, hedge accounting requires formal designation and documentation of the hedged item and the hedging instrument at inception. TLL's current structure fails this test as the forwards are recorded at group level but hedge exposures within the Dutch subsidiary. Therefore, the forward contracts are unlikely to qualify for hedge accounting under IFRS 9.	**Total marks: 13**

Q1b

The UK parent guarantee on the Dutch loan may give rise to a notional guarantee fee under OECD transfer-pricing guidance. Failure to charge such a fee could result in a tax adjustment and higher taxable income in the UK which can create issues for reporting and final results/budgets. The EUR20m loan may breach thin-capitalisation or interest-limitation rules in the Netherlands, restricting interest deductibility. Inconsistent VAT treatment of intercompany recharges could lead to non-recoverable input VAT and compliance penalties. Weak documentation of intercompany funding and service charges increases exposure to audit challenge and double taxation. Treasury should collaborate with tax to map al intercompany funding flows and ensure they meet the arm's-length principle. Introduce a formal intragroup funding policy covering loan terms, pricing, maturity and guarantees. Benchmark and document an appropriate guarantee fee for credit support provided by the UK parent. Review capital structures to maintain acceptable debt-to-equity ratios and protect interest deductibility. Standardise invoicing and VAT processes for shared services across all entities. Maintain detailed transfer-pricing documentation and ensure local filings reflect the arrangements. Conduct regular compliance reviews and seek external advice to align with evolving OECD and EU tax rules.	1 mark per point

	This mark scheme is not exhaustive – all valid points within answers will be awarded marks. **Syllabus refs: 4.1.4; 4.2.2; 4.2.4; 4.3.1, 4.3.2, 4.3.3, 4.3.4 and 4.4.1**	**Total marks: 12**
		Total: 25 marks

QUESTION 2: CASE STUDY

Meridian Hydra Group Plc (MHG) is a London Stock Exchange (LSE) listed utility and infrastructure company that provides water treatment and renewable energy generation across the UK and Ireland. MHG generates annual revenues of approximately GBP850m, with EBITDA of GBP190m.

MHG's long-term strategy focuses on sustainability and resource management with the board pushing senior management to increase their ESG agenda. In recent years, MHG has sought to strengthen its reputation with investors by aligning its operations with internationally recognised ESG standards.

Treasury operations and technology

MHG's treasury operations remain decentralised, with each subsidiary managing its own bank accounts and cash forecasting. This fragmented structure has resulted in inconsistent reporting, limited liquidity visibility and difficulties reconciling data across the group.

All ESG related data and metric collection are undertaken manually in spreadsheets across several different teams. Data and metric information are not often reviewed by internal audit. In the meantime, this same data and metric information are sometimes sent and interpreted differently by the senior management, who often apply their own lens to the data being viewed as suiting their agenda.

To address these challenges, the chief financial officer (CFO) approved the implementation of a new treasury management system (TMS). The TMS is intended to centralise cash management and to automate and enhance accuracy in liquidity forecasting. It is also planned to capture ESG-related data. The system is expected to create a single source of truth for treasury data which is accessible to both the finance and ESG departments.

During implementation, several challenges emerged. Local finance teams have expressed concerns about compliance with data privacy laws, particularly the General Data Protection Regulation (GDPR). Internal auditors have questioned whether the proposed system design incorporates sufficient cybersecurity, segregation of duties and audit-trail controls. There is also uncertainty within the treasury team about how the TMS can support ESG reporting and meet regulatory expectations.

ESG reporting and investor expectations

In 2024, MHG launched a GBP300m Green Bond Programme certified under the ICMA Green Bond Principles. The proceeds finance projects such as water-efficiency technologies. Following the bond issue, the board committed to improving transparency in sustainability reporting and aligning future disclosures with frameworks such as the Task Force on Climate-related Financial Disclosures (TCFD) and the Global Reporting Initiative (GRI).

MHG does not yet operate a formally documented ESG reporting framework. The ESG disclosures are prepared on a best-efforts basis, with reference to selected elements of TCFD and GRI, but without a formal materiality assessment. The Green Bond reporting focuses primarily on eligibility of projects.

MHG's first annual ESG report following the bond issue contained mainly narrative disclosures and limited quantifiable performance data, and the report was not subject to external assurance or independent verification. Investors have since requested more transparent reporting of environmental

metrics, including verified reductions in carbon emissions and water consumption. They have also asked for greater board-level oversight of ESG governance and clearer accountability for data accuracy.

The group treasurer and the director of ESG have disagreed on data ownership. The director of ESG claims responsibility for environmental data, while treasury believes that funding and green-financing metrics should sit under its control. The CFO recognises that unclear governance is undermining the credibility of MHG's ESG disclosures.

QUESTION 2

a.	Analyse how the implementation of a treasury management system (TMS) might improve MHG's regulatory compliance, data security and reporting quality.	13 marks
b.	Examine MHG's ESG reporting framework. You are also required to recommend **THREE** ways that MHG might strengthen its disclosures in line with TCFD, GRI and ICMA Green Bond Principles.	12 marks
		Total: 25 marks

Mark Scheme

Q2a

Treasury operations are decentralised, creating inconsistent reporting and poor data control. Limited liquidity visibility increases operational and compliance risk. Manual processes and fragmented systems expose MHG to data inaccuracies and weak audit trails. Current setup offers inadequate oversight for GDPR compliance and cybersecurity. Lack of segregation of duties increases fraud and error risk, as noted by internal audit. TMS helps: **Regulatory compliance:** Provides automated data capture and standardised processes, supporting compliance with GDPR. Creates an auditable record of all treasury transactions, strengthening internal controls and compliance with audit requirements. Enables systematic enforcement of segregation of duties, improving governance and operational resilience. **Data security and control:** Centralised system provides secure data storage with controlled user access, reducing cyber risk.	1 mark per point

Role-based permissions improve segregation between input, approval, and reporting functions. Encryption, two-factor authentication, and access logs support audit and cybersecurity compliance. Consolidation into a single system reduces the risk of spreadsheet errors and data leaks. **Reporting quality and accuracy:** Real-time visibility of cash, liquidity, and debt positions enhances accuracy and reliability. Integration across subsidiaries ensures consistency in data capture and consolidation. Enables automated generation of management and regulatory reports with audit trails. Facilitates integration with ERP and ESG systems to provide a "single source of truth" across the group and improve data integrity.	**Total marks: 13**

Q2b

ESG reporting largely narrative, with limited quantitative metrics or external assurance. Green Bond reporting lacks detailed impact measurement on carbon and water efficiency. No clear data ownership between Treasury and ESG functions, causing accountability gaps. Insufficient board oversight — unclear governance and responsibility for ESG disclosures. Investor feedback highlights a lack of transparency, consistency, and verified performance data. Data collection is manual and not subject to internal audit reviews leading to risk of inconsistent data and results Evaluation of frameworks: TCFD: requires disclosure of governance, strategy, risk management, and metrics/targets for climate-related risks.	1 mark per point

	MHG's current disclosures meet narrative elements but lack quantifiable scenario analysis or climate risk metrics. GRI: expects comprehensive sustainability reporting with measurable data on environmental and social performance. MHG's report omits key performance indicators (e.g. energy intensity, carbon emissions per MWh, water recycled). ICMA Green Bond Principles: require clear allocation of proceeds, impact reporting, and external verification. MHG's Green Bond programme lacks annual reporting of proceeds allocation and independent assurance. **Three recommendations:** Establish a Board-level ESG or Sustainability Committee with responsibility for disclosure quality and data assurance. Engage an external verifier or auditor for annual ESG and green bond impact reporting. Use the new TMS and ESG platforms to automate data collection and tracking of green project proceeds. Map disclosures explicitly to TCFD pillars (governance, strategy, risk management, metrics & targets). This mark scheme is not exhaustive – all valid points within answers will be awarded marks. **Syllabus refs: 4.5.1; 4.5.3**	**Total marks: 12**
		Total: 25 marks

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