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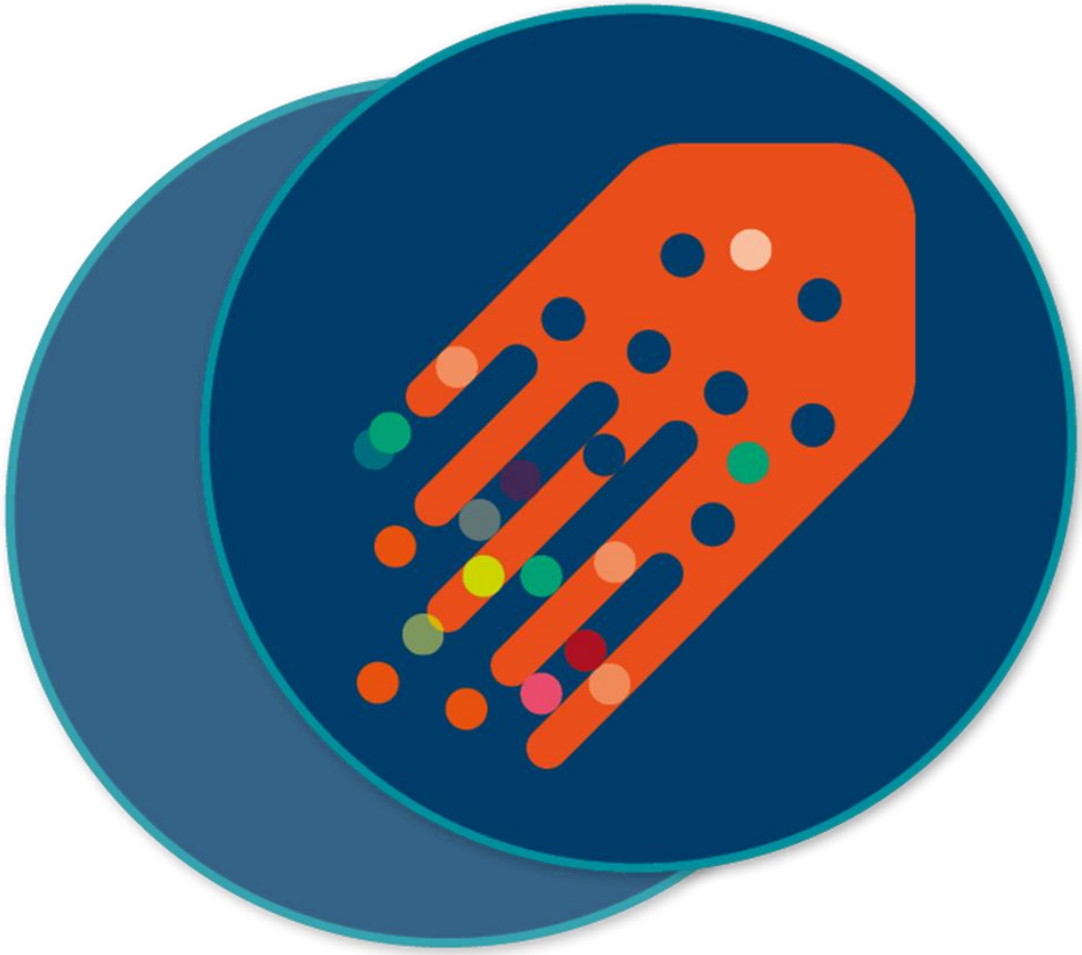
ACT Practice paper

Certificate in Sustainable Finance for Treasury (CertSFT)



Practice paper for the Certificate in Sustainable Finance for Treasury (CertSFT)

Based on the syllabus assessed from 01 January 2025.

Introduction

This practice paper has been produced by the Awarding Body at the Association of Corporate Treasurers (ACT) to assist students in their preparation for the CertSFT assessments. It contains a practice exam as well as practice answers.

Ideally, students should have completed the majority of their CertSFT studies before attempting this practice paper. Students should allow themselves 120 minutes to complete the exam. They should then review their performance to identify areas of weakness on which to concentrate the remainder of their study time.

Although the practice exam in this guide is typical of a CertSFT 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, candidates 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: CertSFT

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

The best way to approach written assessments is to work methodically through the questions. Candidates 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

The CertSFT assessment consist of 64 questions, split into sections A, B and C; each assessment is worth a total of 100 marks.

CertICM assessment test specification:

Section	Amount of questions	Marks available	Question format
Section A	20 Multiple Choice questions (MCQs) and 5 Multiple Response questions (MRQs).	**25**	This section will test a cross-section of knowledge to achieve breadth of syllabus coverage.
Section B	25 MCQs based on mini scenarios (1 scenario with 5 accompanying MCQs)	**25**	This section will test knowledge, analysis, application and justification as appropriate.
Section C	5 longer form questions	**50**	This section will be based on mini-scenarios common to practice. Questions will test knowledge, analysis, application and justification as appropriate.
Total	**64**	**100**	

Under exam conditions, **2 hours** (120 minutes) is allowed for the CertSFT assessment.

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 test, you may use a non-programmable scientific calculator.

In order for you to determine how well you have performed, exemplar answers are listed at the end of this paper. There are also references to the relevant Learning Outcomes if you need to revisit the associated material.

Section A – 25 marks
This section consists of 20 Multiple Choice questions and 5 Multiple Response questions

A01 What was the significance of the UK Transition Planning Taskforce's mandate ending on 31 October 2024?

A It allowed for mandatory disclosure rules to take effect.
B It marked the handover of responsibility to implementing bodies.
C It signified the final publication of transition plan guidance.
D It triggered new regulatory compliance deadlines for companies.

A02 Which of the following is one of the Kyoto Protocol's flexibility mechanisms?

A Carbon Border Adjustment Mechanism.
B Emissions Trading.
C Regulatory Mandates.
D Renewable Portfolio Standards.

A03 Which of the following is a KPI for a treasury team's own sustainability initiative?

A Frequency of board sustainability committee meetings.
B Number of supplier audits conducted annually.
C Percentage of financing that is ESG-linked.
D Total Scope 1 emissions of the entire company.

A04 Which of the following compliance markets requires entities to surrender allowances annually based on their verified output levels?

A Climate Action Reserve.
B EU Emissions Trading System (EU ETS).
C Gold Standard.
D Voluntary Carbon Standard (VCS).

A05 Which of the following best describes "Transition Finance" as defined by the OECD and GFANZ?

A Financing exclusively for projects already meeting net-zero standards.
B Funding the journey of high-emitting sectors to become greener over time.
C Grants provided by governments for renewable energy R&D.
D Short-term working capital loans for sustainable SMEs.

A06 Which of the following best describes a "Sustainability Framework"?

A A financial model projecting future revenue from green projects.
B A set of binding regulations for ESG disclosures.
C A structured approach to identifying, assessing, and managing ESG risks and opportunities.
D An internal policy that only addresses carbon accounting.

A07 Under SFDR, "Article 9" investment products are those that:

A are excluded from SFDR scope.
B make no sustainability claims.
C promote environmental or social characteristics.
D pursue sustainability as an investment objective.

A08 Which of the following refers to the practice of companies deliberately underplaying their sustainability achievements to avoid accusations of misleading environmental claims?

A ESG-hushing.
B Greenhushing.
C Social-washing.
D Transition-washing.

A09 Which of the following regulations requires large companies to assess and address risks in their supply chains related to human rights and environmental harm?

A Corporate Sustainability Due Diligence Directive (CSDDD).
B Corporate Sustainability Reporting Directive (CSRD).
C EU Deforestation Regulation (EUDR).
D EU Green Bond Standard (EU GBS).

A10 Which IFRS standard provides general requirements for disclosure of sustainability-related financial information?

A IFRS G1.
B IFRS S1.
C IFRS S2.
D IFRS T1.

A11 The International Sustainability Standards Board (ISSB) was officially launched in 2022. Why is this milestone considered significant in the evolution of global sustainability reporting?

A It introduced enforcement powers over national regulators.
B It led to the closure of the GRI.
C It marked the shift from fragmented voluntary standards to a unified baseline.
D It replaced the TCFD as the main climate regulator.

A12 Which directive is being phased out between 2025 and 2028, to be replaced by ESRS and CSRD?

A International Sustainability Standards Board (ISSB).
B Non-Financial Reporting Directive (NFDR).
C Shareholder Rights Directive II (Directive 2017/828/EU).
D Sustainable Finance Disclosure Regulation (SFDR).

A13 Which of the following provides specific guidance, reporting metrics, and templates for assessing the use of proceeds of green and social projects?

A GHG Protocol Corporate Standard.
B ICMA Harmonised Framework for Impact Reporting.
C SFDR Disclosures.
D TCFD Recommendations.

A14 Which type of external review provides an independent evaluation of a company's ESG framework, conducted by firms like Sustainalytics or ISS?

A Certification.
B Scoring/Rating.
C Second Party Opinion.
D Sustainability Consultancy.

A15 Moody's Investor Services (MIS) incorporates ESG considerations into its credit ratings through two score types: Issuer Profile Scores (IPS) and Credit Impact Scores (ICS).
If an issuer has an IPS of 3 (on a 1–5 scale) and an ICS of +1, what would be its ESG credit influence?

A High exposure to ESG risks with no credit influence.
B Low exposure to ESG risks with negative credit influence.
C Moderate exposure to ESG risks with a slight positive credit influence.
D Severe exposure to ESG risks with strong positive credit influence.

A16 Which of the following is most likely to arise if a debt issuer is unable to engage an external assessor in a timely manner?

A Inability to meet issuance deadlines.
B Lower assessment costs.
C Reduced need for pre-issuance review.
D Simplified report finalisation.

A17 Under an ESG-linked FX derivative structure, what happens if the corporate fails to meet its agreed ESG target?

A A premium is paid by the buyer to the bank.
B The bank pays the buyer a sustainability payment.
C The forward contract is cancelled.
D The spot rate is adjusted retroactively.

A18 Which corporate card feature helps companies track the carbon footprint of each purchase?

A Blockchain-secured payment logs.
B Discounted foreign currency conversion.
C Embedded carbon-tracking per transaction.
D Real-time ESG transaction monitoring APIs.

A19 A bank simulates the impact of increased carbon taxes by 2030 on a corporate's credit metrics. This activity is classified as which type of ESG assessment?

A Engagement and stewardship.

B ESG scoring and benchmarking.

C Regulatory and compliance alignment.

D Stress testing and scenario analysis.

A20 Which of the following characteristic is most central to "Sustainable Trade Finance FX Solutions"?

A Carbon-neutral trade transaction offerings.

B Guaranteed counterparty settlement in local currency.

C Integration of ESG scorecards into letter-of-credit pricing.

D Margin discounts linked to trade-related sustainability KPIs.

A21 Which TWO of the following are characteristics of the "Networked" sustainability governance model?

A A standalone sustainability committee reporting separately to the board.
B Centralised decision-making with minimal cross-functional input.
C Distributed leadership with peer-to-peer coordination.
D ESG agenda confined to quarterly board reports.
E ESG responsibilities shared across business units and functions.
F Sustainability managed solely by the CEO's office.

A22 Which TWO of the following are examples of "Private Credit Sustainability Debt" characteristics?

A Collateralised loan obligations without ESG covenants.
B Direct lending with embedded ESG margin ratchets.
C Mezzanine finance unlinked to sustainability performance.
D Public bond issuance under ICMA Principles.
E Renewable-energy project securitisation.
F Sustainability-Linked Loan structures negotiated privately.

A23 Which TWO of the following technologies are recognised to assist with ESG data capture and reporting?

A Cloud computing.
B Generative AI without human oversight.
C Manual spreadsheet consolidation.
D Natural language processing (NLP).
E Quantum computing (future trend).
F Spreadsheet Programming.

A24 Which TWO of the following are components of Moody's SQ Score methodology?

A Alignment with relevant Principles.
B Company's market-capitalisation growth.
C Contribution to long-term sustainable development.
D Number of green bonds issued.
E Transparency and issuer accountability.
F Yield spread over sovereign bonds.

A25 Which TWO of the following are globally recognised ESG frameworks that banks may utilise in their corporate due diligence?

A Basel III Framework.
B Equator Principles.
C Global Reporting Initiative (GRI).
D International Financial Reporting Standards (IFRS).
E Solvency II Regulation.
F Task Force on Climate-related Financial Disclosures (TCFD).

Section B – 25 marks
This section consists of MCQs based on mini scenarios (1 scenario with 5 accompanying MCQs)

Case study 1

GreenTech Manufacturing (GTM), is a mid-sized European electronics producer, facing mounting customer pressure to reduce packaging waste and improve product recyclability. Over 60% of its key retail partners required proof of circular-economy initiatives before renewing contracts. Simultaneously, supply-chain sustainability pressures emerged when a Tier 1 plastics supplier was fined for non-compliance with extended producer responsibility regulations. Finally, institutional investors—representing 40% of GTM's equity—demanded robust double materiality reporting under EU CSRD guidelines, assessing both how ESG risks affect the company and how its operations impact society.

In the first quarter, GTM launched a sustainability framework aligned with ICMA's Harmonised Impact Reporting, defining five green-project categories and setting quantitative KPIs for 30% reduction in packaging waste and 20% increase in recycled content by the end of next year. The sustainability team partnered with finance and internal audit to map use-of-proceeds tracking and embed ESG metrics into the enterprise risk management process, ensuring alignment with corporate strategy.

To reinforce credibility, GTM engaged Sustainalytics for a Second Party Opinion (SPO) on its green-bond framework. The SPO validated GTM's KPI ambition, scoring its package recycling initiative in the top quartile of peer benchmarks. Concurrently, Moody's was contracted to provide a "Sustainability Quality" issuer-profile score, focusing on the company's contribution to long-term decarbonisation goals and management transparency.

Within six months, GTM secured EUR100m of green bonds at a 15bp margin discount, reflecting investor confidence in its verified ESG framework. Retail partners noted a 25% increase in recycled-material sales and insurers reduced premiums by 10% due to mitigated supply-chain risks.

B01 The "outside-in" leg of double materiality is illustrated by:

A how customer pressure affected GTM's packaging targets.

B how financial performance influences investor due diligence.

C how GTM's recycled-content policy impacted retail partners.

D how reduced waste lowered GTM's disposal costs.

B02 GTM's use of an SPO to verify its green bond KPI is most like which Kyoto Protocol tool?

A Carbon Tax.

B Clean Development Mechanism.

C Emissions Trading.

D Joint Implementation.

B03 GTM linked funding to its 30% waste reduction goal, under which aspect of its green bond framework?

A Data verification.

B Impact reporting.

C KPI selection.

D Proceeds allocation.

B04 Which of the following attributes of an SPO directly adds credibility to GTM's framework?

A Benchmarking GTM's KPI ambition against peers.

B The SPO's conflict-of-interest policy.

C The SPO's fee structure transparency.

D The SPO's role in proceeds tracking.

B05 How did GTM align its waste-reduction goal with green bond funding? It:

A embedded tracking into risk systems via finance and audit.

B published impact reports before bond issuance.

C required ESG capex reports from business units.

D set up a cross-team committee to approve funds.

Case study 2

Maple Leaf Renewables Inc. (MLR), a Toronto-based wind-energy developer, secured a CAD300m Sustainability-Linked Loan under the LMA Sustainability-Linked Loan Principles to finance the construction of two 150MW onshore wind farms in Ontario. Under the loan's Use-of-Proceeds structure, funds are ring-fenced for capex on turbine procurement and grid-connection upgrades.

KPI selection was governed by Part B guidance: MLR committed to achieving a minimum 85 gCO_2e/kWh lifecycle intensity benchmark within four years, tied to turbine efficiency improvements and low-carbon steel manufacturing for foundations. A second KPI requires 30% local-supplier sourcing for construction materials to support regional economic development.

The SPTs (Sustainability Performance Targets) carry margin adjustments: a 10bp coupon discount if both KPIs are met, or a 10bp step-up if missed. The loan documentation embeds flexibility clauses allowing KPI restatement after a material regulatory change or technology shift, subject to lender consent and third-party verification.

For the Management of Proceeds, MLR's treasury established a dedicated sub-account, with quarterly internal reporting to its Sustainability Committee. An external verifier (ERM Canada) will perform annual audits of allocations and KPI data against the baseline methodology.

MLR pledges full transparency through annual Sustainability-Linked Loan Impact Reports—detailing allocation status, progress on CO_2 intensity per IFRS standards, and local procurement percentages—thereby aligning its financing with Canada's Net-Zero Emissions Accountability Act and bolstering investor confidence in its green growth strategy.

B06 Which use of funds would most likely concern MLR's lenders?

A Buying emissions-reduction tech tied to KPIs.
B Capex for renewable upgrades.
C Energy-efficiency retrofits in operations.
D Repaying fossil fuel project debt.

B07 Under MLR's loan's structure, what flexibility is embedded to address material regulatory changes?

A Automatic loan maturity extension.
B Coupon rate reset to market benchmark.
C KPI restatement with lender consent and third-party verification.
D Principal forgiveness up to 20%.

B08 Which guidance governed the selection of two of the KPI's for MLR's Sustainability-Linked Loan?

A ICMA Green Bond Principles.
B LMA Sustainability-Linked Loan Principles – Part A: Structuring Principles.
C LMA Sustainability-Linked Loan Principles – Part B: KPI Selection Guidance.
D TCFD Recommendations on Climate-related Financial Disclosures.

B09 Which Sustainability Disclosure Standard is most appropriate for the type of emissions reporting MLR committed to under its Sustainability-Linked Loan?

A ESRS E1 – Climate Change (EU).
B IFRS S1 – General Requirements for Disclosure of Sustainability-related Financial Information.
C IFRS S2 – Climate-related Disclosures.
D SASB – Sector-specific Sustainability Accounting Standards.

B10 What is the impact to MLR if it meets fifty percent (50%) of its KPI targets?

A Higher loan interest cost.
B Improved investor confidence.
C MLR would be able to secure a CAD300m loan.
D Reduced loan interest cost.

Case study 3

VerdeBrasil Energia S.A. (VBE), a leading Brazilian renewable-energy developer, issued a BRL1.5bn Green Bond under ICMA's Green Bond Principles to finance two (2) 200MW onshore wind farms in Rio Grande do Norte. To enhance credibility and investor confidence, VBE engaged three distinct external assessments:

1. Second Party Opinion (SPO): Sustainalytics provided an SPO validating the bond framework's alignment with ICMA criteria—including strict Use of Proceeds, detailed Project Evaluation and Selection processes, and robust Management of Proceeds systems—emphasizing the projects' expected annual CO_2 savings of 250 000 tCO_2e.
2. Certification: VBE sought Climate Bonds Initiative (CBI) certification. After a rigorous review against CBI's sector-specific criteria for wind energy, the bonds were awarded the CBI "Climate Bond" label, confirming that all financed assets met internationally recognized eligibility requirements.
3. ESG Rating Agency Score: Moody's assigned a Sustainability Quality Score of SQS2 (Very Good), reflecting high transparency, strong governance processes, and demonstrated contribution to Brazil's low-carbon transition. Moody's assessment balanced alignment with ICMA principles and the issuer's anticipated positive environmental impact.

VBE also implemented an internal pre-issuance assessment mirroring the external reviews to streamline data collection and reporting. Post-issuance, it will publish annual impact reports following ICMA's Harmonised Framework for Impact Reporting, featuring quantitative metrics, such as generation output, CO_2 avoided, and fund allocation details, to maintain ongoing assurance and stakeholder engagement. This multi-layered external assessment strategy positioned VBE's Green Bond as a market benchmark for Brazilian sustainable finance.

B11 Which external assessment provided a detailed review of VBE's bond framework against ICMA criteria?

A Climate Bonds Initiative certification.
B Internal pre-issuance assessment.
C Moody's Sustainability Quality Score.
D Sustainalytics Second Party Opinion.

B12 VBE used external reviews (SPO, ESG rating, certification) to reinforce what key aspect of its green bond?

A Alignment with climate-finance standards and investor assurance.
B Post-issuance reports would remain internal to protect IP.
C Pre-approval by Brazil's central bank.
D That internal teams could handle all monitoring.

B13 Which action best supports VBE's claimed environmental benefits under ICMA guidance?

A Annual CO_2 emissions avoided from its wind farm projects.
B Audit outcomes from internal ESG governance reviews.
C Moody's ESG Quality Score (SQS2).
D Percentage of local procurement used during construction.

B14 Which initiative helped maintain long-term investor trust in its BRL1.5bn green bond?

A Limiting disclosures to verified financial metrics to avoid overpromising.
B Ongoing quantitative reporting on outcomes such as CO_2 savings.
C Publishing a one-off sustainability roadmap in the bond prospectus.
D Relying on internal sustainability teams to provide annual updates.

B15 How did VBE's post-issuance disclosures and external assessments support its positioning within Brazil's sustainable finance market?

By:

A accelerating principal repayments through clawback-linked debt structures.
B qualifying for sovereign credit guarantees via the National Treasury.
C reducing emissions variability across the wind project portfolio.
D strengthening investor confidence and helping establish the bond as a national benchmark.

Case study 4

NorSea Salmon ASA (NSS), a mid-sized Norwegian fish farm located along the Trøndelag coast, embarked on a comprehensive sustainability initiative to align with emerging global ESG standards. Recognising “tone from the top” as critical, the board adopted a fully integrated governance model, embedding ESG considerations into all meetings and capital-allocation decisions. A dedicated subcommittee, chaired by the chief financial officer (CFO), reviews annual sustainability targets and reports directly to the board.

On the operational front, NSS implemented a GHG accounting framework under the GHG Protocol: Scope 1 emissions (fuel combustion for feed barges) and Scope 2 emissions (electricity for on-shore processing) are monitored monthly, with data verified by an external auditor. Scope 3 emissions—including upstream feed production and downstream transport—are partially estimated using supplier data, with a view to expanding granularity a year later.

NSS participates in compliance and voluntary carbon markets to offset unavoidable emissions. Under the EU ETS, the company surrenders allowances for its covered emissions; surplus credits from efficient vessels are auctioned to purchasers across Europe. Concurrently, it procures voluntary forestry-based carbon credits from Finland to offset Scope 3 emissions, prioritising projects verified against ICVCM principles.

Reporting follows the new IFRS S1 and S2 standards: NSS’s annual report discloses governance processes, strategy for climate risk mitigation (e.g., electrifying on-site vehicles), and performance against a 25% reduction in carbon intensity by the end of the following year. This transparent, double-materiality approach has improved stakeholder confidence, secured green financing from Nordic banks, and positioned NSS as a leader in sustainable aquaculture.

B16 Which of the following did the NSS board adopt to embed ESG?

A A staff-led green council.
B An independent audit firm.
C A fully integrated governance model.
D Outsourced sustainability reporting.

B17 NSS reports its environmental performance using multiple frameworks. Which standard is most appropriate for its disclosure strategy?

A CDP Standards.
B GHG Protocol.
C SASB Standards.
D TCFD Recommendations.

B18 Why are Finnish forestry-based carbon credits suitable for NSS's upstream emissions?

A They can be traded via EU carbon auctions.
B They can be used under the EU ETS for compliance.
C They provide permanent carbon removals outside mandatory schemes.
D They support fleet electrification to cut fossil fuel use.

B19 Based on disclosures, how did NSS apply IFRS S1 and S2 in its latest report?

A S1: Biodiversity investment links; S2: Plastic and packaging lifecycle.
B S1: ESG risk in enterprise processes; S2: Climate risks (e.g. sea temperature, weather).
C S1: Marine stakeholder input; S2: Aquaculture supply chain emissions.
D S1: Social/governance materiality; S2: Labour safety, diversity indicators.

B20 Which of the following is the main priority for the NSS board?

A Embedding climate risk mitigation.
B ESG governance.
C Reporting on sustainability targets.
D Scope 1 -3 emissions reduction.

Case study 5

NoorSun Arabia (NSA), founded in 2022 and headquartered in Riyadh, is a pioneering Saudi Arabian solar energy developer focused on large-scale photovoltaic (PV) installations across the Kingdom. At the beginning of the year, NSA launched its SAR500m green sukuk, aligning with the principles of Shariah-compliant finance and the Saudi Green Initiative. The sukuk proceeds are dedicated to constructing a 200MW PV plant in the Tabuk Province, expected to reduce carbon emissions by 150,000 tCO_2e annually.

To ensure market integrity and avoid greenwashing, NSA adopted the International Capital Market Association's (ICMA) Green Bond Principles, conducting third-party verification of its carbon reduction projections and disclosing all use-of-proceeds in its inaugural Sustainability Report. The sukuk is structured to receive periodic rentals tied to plant revenue and a 10-year tenor. This structure offers investors a fixed-income profile with tangible environmental benefits.

Per the EU's Sustainable Finance Disclosure Regulation (SFDR), NSA publicly classifies its sukuk as similar to an Article 9 "dark green" instrument, given its clear sustainability objectives and rigorous KPI reporting. Annual updates include energy yield performance, local job creation metrics (projected at 250 new positions), and progress toward net-zero targets. Furthermore, the company integrates ESG considerations into its bidding processes, favouring suppliers with strong environmental performance, as recommended by ICMA's market standards.

NSA's sukuk achieved 150 percent oversubscription, reflecting strong investor appetite for Saudi Arabian renewable assets. The capital raised not only advances Saudi Arabia's Vision for renewable goals but also demonstrates how transparent, Shariah-aligned green financing can mobilise private capital for large-scale clean-energy infrastructure.

B21 For NSA, which type of financing structure reflects a strong investor appetite?

A Ijarah Sukuk (lease-based rentals).
B Musharakah Sukuk.
C Mudarabah Sukuk for its green projects.
D Wakalah Sukuk for its renewable assets.

B22 Which feature of NSA's sukuk supports its SFDR Article 9 ("dark green") status?

A Commits publicly to avoid greenwashing via ICMA reporting.
B Offers rental income tied to project revenue.
C Reports annual CO_2 cuts and job creation.
D Targets KPIs with third-party verified sustainability goals.

B23 NSA's verified carbon data and post-issuance disclosures best reflect which Green Bond Principle?

A Management of Proceeds.
B Process for Project Evaluation and Selection.
C Reporting.
D Use of Proceeds.

B24 What is the project's local employment intensity, expressed as jobs per megawatt (rounded to two decimal places)?

A 0.80 jobs/MW.
B 1.00 job/MW.
C 1.25 jobs/MW.
D 1.50 jobs/MW.

B25 Assuming continuous full-capacity operation (8,760 hours/year), what is the plant's emissions-reduction intensity per megawatt-hour of installed capacity?

A 1 250 kg CO_2e/MWh.
B 17.1 kg CO_2e/MWh.
C 85.6 kg CO_2e/MWh.
D 750 kg CO_2e/MWh.

Section C – 50 marks
This section consists of 5 case study form questions

Case Study 1

NileWave Energy (NWE), a renewable-energy developer in East Africa, pioneered one of the region's first large-scale floating solar plants on Lake Victoria. Spanning 50MW of photovoltaic panels mounted on buoyant platforms. The project aimed to reduce greenhouse gas emissions by 65,000 tCO_2e annually and provide reliable daytime power to nearby communities. Financing was structured through a dual-tranche issuance: a USD30m Green Bond aligned with The International Capital Markets Association's (ICMA) Green Bond Principles to fund panel procurement and platform construction, and a USD10m Green Loan under the Loan Market Association's (LMA's) Green Loan Principles to cover installation and grid-connection costs.

Under the Green Bond, NWE committed to the "use-of-proceeds" framework, tracking all funds in a segregated account and reporting annually on capacity deployed, CO_2 reductions, and local job creation metrics. The Green Loan featured a dedicated project-evaluation process: an independent engineer assessed platform integrity and environmental impacts, ensuring alignment with biodiversity conservation requirements. Unallocated proceeds were held in short-term, low-carbon money-market instruments until deployment.

To enhance transparency, NWE engaged a third-party reviewer to verify both bond and loan compliance with its respective principles. Quarterly stakeholder updates and an annual sustainability report detailed progress against KPIs, including megawatt-hour output, community electrification rates, and water-quality monitoring results.

By combining capital-market debt and sustainability-linked lending, NWE attracted a diversified investor base, lowered its weighted average cost of capital by 50bps, and demonstrated how floating solar assets can be financed compliantly and transparently, setting a template for future off-grid renewable projects in emerging markets.

a. Discuss the key features of NWE's dual-tranche financing structure for the 50MW floating solar plant and how each tranche aligns with the relevant ICMA/LMA green finance principles.
(LO05)

(5 marks)

b. Analyse how NWE applied the "project evaluation and selection" and "management of proceeds" components of the Green Bond Principles.
(LO03)

(5 marks)

(Total 10 marks)

Case Study 2

NordicGreen Traders (NGT) is a Copenhagen-based renewable energy trading company. It has just launched a bespoke "Green Power Swap" platform to facilitate the procurement and sale of certified renewable electricity across Northern Europe. Acting as an intermediary, NGT sources wind and solar certificates from project developers in Denmark and Sweden and matches them with corporate customers in Germany and the UK. To underwrite counterparty credit risk, the firm established a EUR50m Green Revolving Credit Facility with a Nordic bank, structured as a sustainability-linked loan tied to two key performance indicators:

1. Increasing traded volumes of EU-certified guarantees of origin (GOs) to 2 Terawatt-hours TWh (2 billion Kilowatt-hours (KWh)) per annum, and
2. Reducing transaction settlement times to under 24 hours. Failure to meet targets incurs a 5bps margin step-up; outperformance results in a 5 basis points (bps) step-down.

NGT's risk management framework integrates real-time trade data into its treasury dashboard, employing machine-learning algorithms to flag "dirty data" and reconcile GO mismatches within hours, addressing data-quality issues highlighted in sustainable-finance reporting guidelines. All loan proceeds are held in segregated accounts and invested in overnight, low-carbon money-market instruments until deployed, in line with best practice for "management of proceeds" under International Capital Market Association (ICMA) principles.

For external assurance, NGT engaged Sustainalytics to deliver annual Second-Party Opinions (SPO) and post-issuance verification, ensuring transparency over KPI performance and loan-use compliance. Quarterly impact reports—covering volumes traded, CO_2 avoided (calculated at 0.5 kg CO_2/kWh displaced), and counterparty risk metrics—are published on NGT's website. By combining advanced data governance, sustainability-linked financing, and robust external assurance, NGT has positioned itself as a leading green energy broker, accelerating corporate decarbonization across Europe.

a. Calculate the CO_2 NGT avoided by trading 2 TWh of certified renewable electricity. Recommend and justify **ONE** strategy to boost its value of avoided CO_2. You must show all workings. (LO14/LO15)

(5 marks)

b. Discuss NGT's use of machine-learning algorithms within its risk management framework to detect and reconcile "dirty data" in Guarantees of Origin (GOs).

In your answer, explain how this approach aligns with best practices in sustainable-finance data governance.

(LO11)

(5 marks)

(Total 10 marks)

Case Study 3

Carrefour Vert France (CVF), a leading French retailer with over 1,200 outlets nationwide, launched a EUR200m Green Supply Chain Finance (GSCF) programme to decarbonize its fresh-produce sourcing network. Under this facility, eligible suppliers can draw down early-payment financing at interest rates 25bps below CVF cost of funds, currently at 2.4% per annum, if they meet pre-agreed sustainability criteria—most notably reducing on-farm GHG emissions by 20% within 18 months and achieving at least 70% recyclable packaging usage. CVF integrates these criteria into its enterprise risk framework, aligning supplier selection and monitoring with its double-materiality assessments to manage upstream Scope 3 risks.

The corporate treasury team digitised invoice processing and emissions reporting by deploying a blockchain-enabled platform that captures farm-level carbon data and links it to financing disbursements. This treasury-led solution embeds ESG into core processes, automating verification of supplier KPIs and triggering financing rate adjustments in real time, as advocated by sustainable-finance data-governance best practices.

To strengthen stakeholder engagement, CVF publishes quarterly "Green Chain Impact" reports detailing financed volume, average days-to-pay, and aggregate CO_2 avoided. A third-party verifier audits both packaging-recycling rates and carbon-reduction methodologies, ensuring transparency and preventing "greenwashing." Suppliers that outperform targets receive additional volume-based rebates, creating positive incentives beyond standard financing benefits.

By combining principles of ESG integration across supply-chain stakeholders and emphasis on treasury's role in execution and data management, CVF's programme not only accelerates supplier decarbonisation but also enhances working-capital efficiency—demonstrating how large retailers can leverage green supply-chain finance to drive both sustainability and commercial value.

a) Calculate the annual interest saving (in EUR) for a CVF supplier who draws down EUR1.5m under the programme for 90 days. Show your workings and explain briefly how this saving contributes to the programme's objectives.
(LO16)

(5 marks)

b) Discuss how CVF has integrated ESG criteria into its supply-chain finance programme.
(LO02/LO03)

(5 marks)

(Total 10 marks)

Case Study 4

GlobalEco Finance PLC (GEF), a leading European asset manager, faced rising stakeholder pressure to integrate ESG factors into its investment processes amid rapid growth in the global sustainable investing market (USD25tn in 2023 with projections to USD167tn by 2034).

To address investor and regulator demands, GEF launched its Green Transition Bond Framework, specifying use-of-proceeds for renewable energy projects and embedding ambitious Sustainability Performance Targets (SPTs) such as 30% reduction in portfolio carbon intensity by within three years aligned with International Capital Markets Association ICMA Principles.

Despite robust labelling, GEF encountered market scepticism and "greenwashing" accusations when an NGO challenged its disclosure on proceeds allocation, highlighting the importance of transparent impact reporting under the Sustainable Finance Disclosure Regulation SFDR and EU Green Bond Standards.

In response, the treasury and sustainability teams conducted an internal pre-issuance assessment, mapping fund flows to eligible projects, verifying KPI methodologies, and simulating external auditor queries to build in-house expertise and streamline the upcoming Second Party Opinion (SPO) process.

GEF then engaged Sustainalytics for its SPO, ensuring independent validation of alignment with ICMA/LMA Principles and auditing of internal controls. Concurrently, it obtained a Moody's Sustainability Quality Score of "Very Good (SQS2)" and an S&P "Light Green" Shades of Green rating, reinforcing credibility among institutional investors.

Post-issuance, the internal audit team reviews quarterly impact reports, while robust governance committees oversee corrective actions if SPTs lag, maintaining market confidence and meeting evolving regulatory expectations.

a. Outline the key stages GEF should implement to address "Allocation Tracking Complexity," and explain why each stage is critical for transparent use-of-proceeds reporting.
(LO12)

(5 marks)

b. Discuss how external assessment providers enhance the credibility of sustainable finance instruments, using examples of Sustainalytics and S&P "Shades of Green" ratings as applied by GEF.
(LO13)

(5 marks)

(Total 10 marks)

Case Study 5

EcoHarvest Capital Partners (ECP), a mid-sized agri-business financier based in the Netherlands, sought to deepen its sustainability credentials in the current year by overhauling both its risk assessment processes and its funding partner selection. ECP's treasury team integrated climate scenario analysis into its credit risk framework. Each loan application now includes a forward-looking stress test under a 2°C warming scenario, assessing borrower resilience across yield volatility, water stress, and transition cost exposures. The team adopted International Standards on Assurance Engagements (ISAE) 3,000 procedures for third-party agronomic and emissions data validation, ensuring that lending decisions reflected both short-term performance and long-term climate risks.

Simultaneously, ECP revamped its bank relationship request for proposal (RfP) to prioritise sustainability alignment. Prospective banking partners were evaluated on three ESG pillars:

- financed emissions transparency: requirement for banks to disclose financed agriculture emissions using Partnership for Carbon Accounting Financials (PCAF) methodologies
- green credit lines: commitment to dedicated green revolving credit facilities for regenerative agriculture projects
- sustainability governance scores: ratings from independent agencies (e.g., Sustainalytics, Moody's SRS) on banks' own climate targets and board-level climate oversight.

ECP then negotiated a landmark EUR50m green facility with a consortium of three banks that collectively pledged annual portfolio alignment checks and published joint impact reports. This new facility includes incentive pricing: margin reductions tied to achieving borrower-level biodiversity metrics and soil carbon sequestration targets. By embedding rigorous climate risk analysis into credit decisions and selecting financing partners on ESG merit, ECP positioned itself as a leader in sustainable agri-finance, ready to support Europe's farm transition while safeguarding portfolio resilience.

a. Explain **FOUR** steps ECP should follow to integrate climate-scenario analysis into its credit-risk framework.
(LO11)

(4 marks)

b. Discuss **THREE** ESG criteria ECP uses in its bank-relationship RfP and how each criterion influences partner selection.

(LO19)

(6 marks)

(Total 10 marks)

Practice guide: Section A

Answers and references to relevant unit and learning outcome

Question No.	Learning Outcome	Answer		Question No.	Learning Outcome	Answer
A01	01	B		A14	13	C
A02	01	B		A15	14	C
A03	03	C		A16	15	A
A04	04	B		A17	17	A
A05	05	B		A18	17	C
A06	06	C		A19	18	D
A07	07	D		A20	19	D
A08	08	B		A21	03	C, E
A09	09	A		A22	05	B, F
A10	10	B		A23	11	A, D
A11	10	C		A24	13	A, C
A12	11	B		A25	19	C, F
A13	12	B				

Practice guide: Section B

Answers and references to relevant unit and learning outcome

Question No.	Learning Outcome	Answer		Question No.	Learning Outcome	Answer
B01	02	A		B14	17	B
B02	01	B		B15	17	D
B03	12	D		B16	03	C
B04	13	A		B17	04	B
B05	13	A		B18	04	C
B06	06	D		B19	10	B
B07	06	C		B20	10	B
B08	10	C		B21	08	A
B09	10	C		B22	19	D
B10	10	A		B23	07	C
B11	13	D		B24	18	C
B12	13	A		B25	19	C
B13	16	A				

C1a	**Syllabus refs: Unit 2.1a, 2.1b LO05**	1. Green Bond "Use-of-Proceeds" Framework: USD30 million raised via a Green Bond aligned to ICMA Green Bond Principles, with proceeds ring-fenced in a segregated account solely for PV panel procurement and platform construction. 2. Green Loan Eligibility Criteria: USD10 million Green Loan structured under LMA Green Loan Principles, specifying eligible costs for installation and grid connection and requiring environmental impact assessments. 3. Independent Project Evaluation: Appointment of an independent engineer to conduct technical due diligence and assess environmental and social impacts, fulfilling the Green Loan Principle of "project evaluation and selection." 4. Management of Proceeds: Both tranches mandated that unallocated funds be held in low-carbon, short-term money-market instruments until deployment, in line with best practices under both ICMA and LMA guidelines. 5. Reporting and Transparency Requirements: Commitment to annual impact reporting—detailing capacity deployed, CO_2 reductions, job creation, and water-quality metrics—meeting ICMA's requirement for regular investor disclosures and LMA's recommended transparency guidelines.
C1b	**Syllabus refs: Unit 1.3 LO03**	**1.** Structured Selection Criteria: NileWave mandated an independent engineer to assess platform integrity, environmental impact (including biodiversity and water quality), and social considerations before allocating bond proceeds—satisfying the "project evaluation and selection" requirement of the ICMA Green Bond Principles. **2.** Segregated Account for Proceeds: The USD30 million Green Bond proceeds were ring-fenced in a dedicated account, ensuring 100 % allocation to eligible floating solar components and preventing misappropriation. **3.** Temporary Liquidity Management: Unallocated proceeds were held in low-carbon, short-term money-market instruments, aligning with recommended best practice for "management of proceeds" until full deployment. **4.** Annual Impact Reporting: NileWave committed to publish yearly disclosures on MW deployed, CO_2 reductions, and local employment, thereby demonstrating transparent tracking of how proceeds were used. **5.** Management of Data Quality

C2a	**Syllabus refs:** **Unit 4.3a LO14** **Unit 4.4 LO15**	Target volume: 2 TWh = 2×10^{12} Wh CO_2 factor: 0.5 kg CO_2/kWh = 0.5 kg $CO_2/10^3$ Wh Total CO_2 avoided (kg) = (2×10^{12} Wh) × (0.5 kg CO_2 / 10^3 Wh) = $2 \times 10^9 \times 0.5$ kg = 1×10^9 kg CO_2 Convert to tonnes: 1×10^9 kg ÷ 10^3 = 1×10^6 tonnes CO_2 **1,000,000 tonnes of CO_2 avoided annually.** **Strategy to Maximize the Value of Avoided CO_2** NordicGreen can monetize the 1 million tonnes of avoided CO_2 by registering and selling carbon credits in voluntary or compliance markets, thereby generating an additional revenue stream and enhancing project economics.
C2b	**Syllabus refs:** **Unit 3.3a LO11**	**Automated Anomaly Detection:** The ML models scan trade datasets in real time to flag mismatches (e.g., missing attributes, duplicate serial numbers), replacing manual checks prone to oversight. **Data Lineage & Audit Trail:** Every flagged item generates a timestamped record of original and corrected values, fulfilling transparency requirements in sustainable-finance frameworks. **Speed & Scalability:** Reconciliation within hours meets the 24-hour settlement SLA, demonstrating operational alignment with rapid-reporting best practices. **Reduced Operational Risk:** Proactive error identification lowers the likelihood of misreporting volumes or CO_2 metrics, supporting the integrity of impact disclosures. **Governance & Oversight:** Integration of ML outputs into a governed treasury dashboard ensures that data-quality protocols adhere to principles outlined in sustainable-finance data governance guidelines.

C3a	**Syllabus refs: Unit 5.1 LO16**	**Supplier drawdown:** EUR1,500,000 for 90 days (0.25 year) (0.5 pts) **Retailer's cost of funds:** 2.40 % p.a. => 0.024 (0.5 pts) **Discount: 25 bp = 0.25 % => 0.0025 (0.5 pts)** **Effective rate for supplier:** 2.40 % – 0.25 % = 2.15 % p.a. => 0.0215 (0.5 pts) **Interest saving calculation:** Interest at full rate: 1,500,000 × 0.024 × 0.25 = EUR9,000 Interest at discounted rate: 1,500,000 × 0.0215 × 0.25 = EUR8,062.50 Saving: EUR9,000 – EUR8,062.50 = EUR937.50 (2 pts) **Contribution to objectives:** This saving improves supplier cash flow, incentivizing faster decarbonization investments (e.g., low-emission farming practices) and reinforcing Carrefour Vert's goal of aligning working-capital efficiency with ESG outcomes.
C3b	**Syllabus refs: Unit 1.2a, 1.2b LO02 Unit 1.3b LO03**	**Double-Materiality Assessment:** Carrefour Vert evaluated both environmental impacts (e.g., on-farm GHG emissions) and financial risks (Scope 3 supply-chain exposures), ensuring the GSCF programme targets material sustainability issues. **ESG Criteria Integration:** Sustainability targets (20 % emission reduction; 70 % recyclable packaging) are embedded as eligibility conditions, aligning financing incentives with broader corporate ESG strategy. **Blockchain-Enabled Platform:** Decentralized ledger captures immutable farm-level carbon and packaging data, automating KPI verification and reducing manual reporting errors, in line with data-governance best practices. **Treasury's Role in Execution:** Corporate treasury digitized invoice workflows and linked financing triggers to real-time ESG metrics, demonstrating its function in operationalizing sustainable-finance frameworks. **Alignment with Sustainable-Finance Frameworks:** The programme's design reflects use of proceeds for green activities, transparent impact reporting—and emphasis on management of proceeds, third-party assurance, and robust data controls.

C4a	**Syllabus refs: Unit 4.1 LO12**	**Account Segregation** GlobalEco establishes dedicated "green bond" sub-accounts within its treasury system to receive bond proceeds, preventing co-mingling with general corporate funds and ensuring a clear audit trail back to eligible renewable energy and carbon-reduction projects. **Reconciliation Processes** Each quarter, GlobalEco's treasury team reconciles disbursements from the green sub-accounts against actual capital expenditures on solar and wind projects, promptly identifying any discrepancies and enabling corrective action before report publication. **External Verification** GlobalEco engages an independent auditor as part of its Second Party Opinion process to review the sub-account statements and reconciliation reports, providing investors with third-party assurance that proceeds fund only eligible projects. **Ongoing Monitoring & Reporting** The company publishes annual impact reports with a real-time dashboard showing cumulative allocations to each project category (e.g., 45 MW solar, 30 MW wind), reinforcing transparency and allowing investors to track progress against the 30% carbon-intensity reduction target. **Importance Statement** These stages form a robust end-to-end control framework that minimizes misallocation risk, upholds reporting integrity in line with SFDR requirements, and sustains investor confidence in GlobalEco's Green Transition Bond.
C4b	**Syllabus refs: Unit 4.2 LO13**	**Role Definition:** External assessors provide independent, third-party validation that a bond framework and its use-of-proceeds comply with recognized market standards, thereby mitigating "greenwashing" risk and reassuring investors. **Role of External Assessors:** Provide independent validation that frameworks and bond issuances conform to market standards (e.g., ICMA Green Bond Principles), reducing perception of "greenwashing" **Sustainalytics Second Party Opinion (SPO):** Assesses governance processes, use-of-proceeds framework, and impact metrics. GlobalEco's SPO confirmed alignment with ICMA Principles and robustness of internal controls.

		Shades of Green Ratings (S&P): Assigns a "Light Green" label to instruments funding projects with low-carbon trajectories; GlobalEco's "Light Green" rating signaled to investors the moderate yet credible environmental impact of its bond. **Market Impact:** These ratings improve investor confidence, broaden the potential investor base, and can lower funding costs by demonstrating rigorous third-party assurance.

C5a	**Syllabus refs: Unit 3.3 LO11**	**Scenario Selection** Choose relevant climate scenarios (e.g., 2 °C warming) to test borrower exposures. **Data Collection & Validation** Gather agronomic, yield, and emissions data; validate under ISAE 3000 standards **Stress-Testing** Run forward-looking stress tests on borrower cash flows under each scenario. **Risk Adjustment & Decisioning** Adjust credit terms (e.g., pricing, covenants) based on stress-test outputs to reflect climate risks. **Resilience Explanation** • Stress-Testing ensures loans remain recoverable under physical-risk shocks; • Risk Adjustment aligns pricing with risk, protecting portfolio returns.
C5b	**Syllabus refs: Unit 5.4 LO19**	**Financed-Emissions Transparency** Banks must report financed-agriculture emissions using PCAF; influences selection by ensuring clarity on climate impact. **Green Credit Lines** Requirement for dedicated green facilities for regenerative projects; favours banks with product innovation in sustainable finance. **Sustainability Governance Scores** Uses independent ratings (e.g., Sustainalytics, Moody's SRS); selects banks with strong governance and climate oversight **Influence Explanation** • Transparency criterion ensures partner alignment with EcoHarvest's climate-risk disclosure needs.

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