AICPA & CIMA
Together as the Association of International Certified Professional Accountants

November 2024 and February 2025
Strategic Case Study
CGMA Professional Qualification
Full post exam support materials

Below are the full post-exam supporting materials for the Strategic Case Study Exam. Use the links on this page to jump to the documents required.

Pre-seen material

November 2024 and February 2025 Strategic Case Study pre-seen.

Examiner's report

The November 2024 and February 2025 examiner's report.

Exam variants

- Variant 1
- Variant 2
- Variant 3
- Variant 4
- Variant 5
- Variant 6

Suggested solutions

- Suggested solutions for variant 1
- Suggested solutions for variant 2
- Suggested solutions for variant 3
- Suggested solutions for variant 4
- Suggested solutions for variant 5
- Suggested solutions for variant 6

Marking Guidance

- Marking guidance for variant 1
- Marking guidance for variant 2
- Marking guidance for variant 3
- Marking guidance for variant 4
- Marking guidance for variant 5
- Marking guidance for variant 6

If you need any further information please contact us.

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Strategic Case Study Examination

November 2024 – February 2025

Pre-seen material

Context Statement

We are aware that there has been, and remains, a significant amount of change globally. To assist with clarity and fairness, we do not expect students to factor these changes in when responding to, or preparing for, case studies. This pre-seen, and its associated exams (while aiming to reflect real life), are set in a context where current and on-going global issues have not had an impact.

Remember, marks in the exam will be awarded for valid arguments that are relevant to the question asked. Answers that make relevant references to current affairs will, of course, be marked on their merits.

Contents

Introduction

Rotomyne is a quoted company that mines lithium for sale to manufacturers, which then use the metal in the manufacture of various products, including rechargeable batteries.

You are a senior manager in Rotomyne's finance function. You report directly to the Board and advise on special projects and strategic matters.

Rotomyne's head office is located in Porrland, a developed country that has an active and well-regulated stock exchange. Porrland's currency is the P$. Porrland requires companies to

prepare their financial statements in accordance with International Financial Reporting Standards (IFRS). Rotomyne owns and operates lithium mines in six countries.

Lithium mining

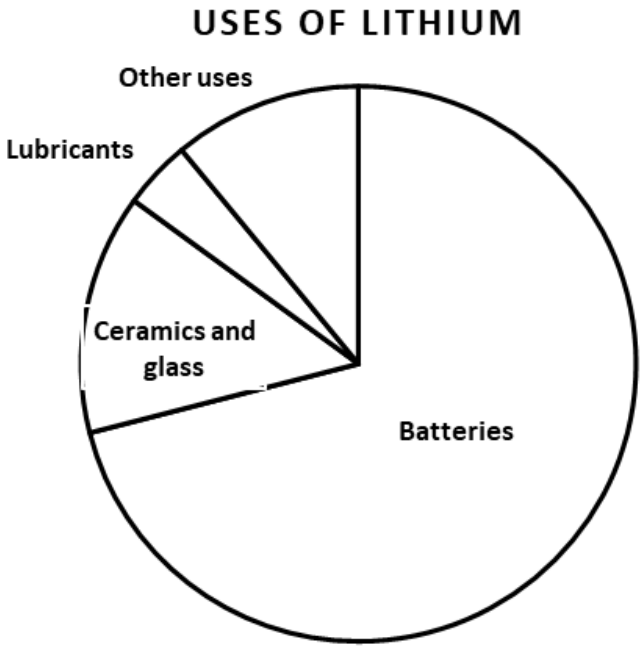
Lithium is a chemical element, an alkali metal, designated “Li” on the Periodic Table of the Elements. It is used in the manufacture of a variety of products, including:

- batteries
- heat-resistant glass and ceramics
- lubricants
- metal alloys
- pharmaceuticals

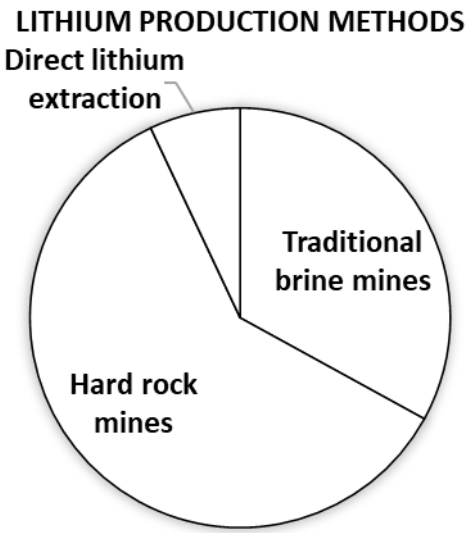
Lithium has been used for many years, primarily in the manufacture of glass and in lubricating grease. Recent growth in demand has been driven by the use of lithium in the manufacture of batteries, in particular for electric vehicles. A typical electric car battery requires 12 kilograms of lithium. The metal is also used in most of the rechargeable batteries used in consumer electronics, such as mobile phones and tablets.

Lithium-ion batteries store a significant amount of energy in a relatively small space. The lead-acid batteries, which have been used for many years to power the starter motor and other electrical components in internal combustion engines, can store only 30 watt-hours of electricity in 1 litre of space. A lithium-ion battery can store 250 watt-hours in the same space.

Global demand for lithium carbonate was 500,000 tonnes in 2021. Annual demand has been predicted to increase to 4 million tonnes by 2030.



Lithium deposits can be found in many locations around the world. It is also present in seawater, although extraction from seawater requires too much energy to be commercially viable. Three main methods of lithium extraction are in common use:



Hard rock mines

Lithium is contained in a number of different rock types, most commonly in spodumene, which is an ore that can be mined in several parts of the world. Lithium can constitute up to 8% of the content of spodumene.

Hard rock deposits of lithium are mined mainly by the open pit method. Blocks of rock containing lithium are dug out of the earth. They are then crushed and milled to create a fine powder. The powdered rock is mixed with water. Bubbles of air are injected into the mixture. The bubbles attract lithium while they rise to the water's surface. The resulting foam is skimmed off and sent to a plant where it is processed to produce lithium carbonate.

Open pit mining has significant adverse environmental impacts:

- soil erosion
- destruction of natural habitats
- water pollution
- emissions from the operation of heavy mining equipment

Traditional brine mines

Lithium can be found dissolved in underground lakes. That lithium can be extracted by pumping this fluid (called “brine”) to the surface, where it is transferred to evaporation ponds. The evaporation ponds are huge, with surface areas of up to 25 square kilometres. The brine is exposed to heat and sunlight for 12 to 18 months, causing evaporation and thereby concentrating the lithium.

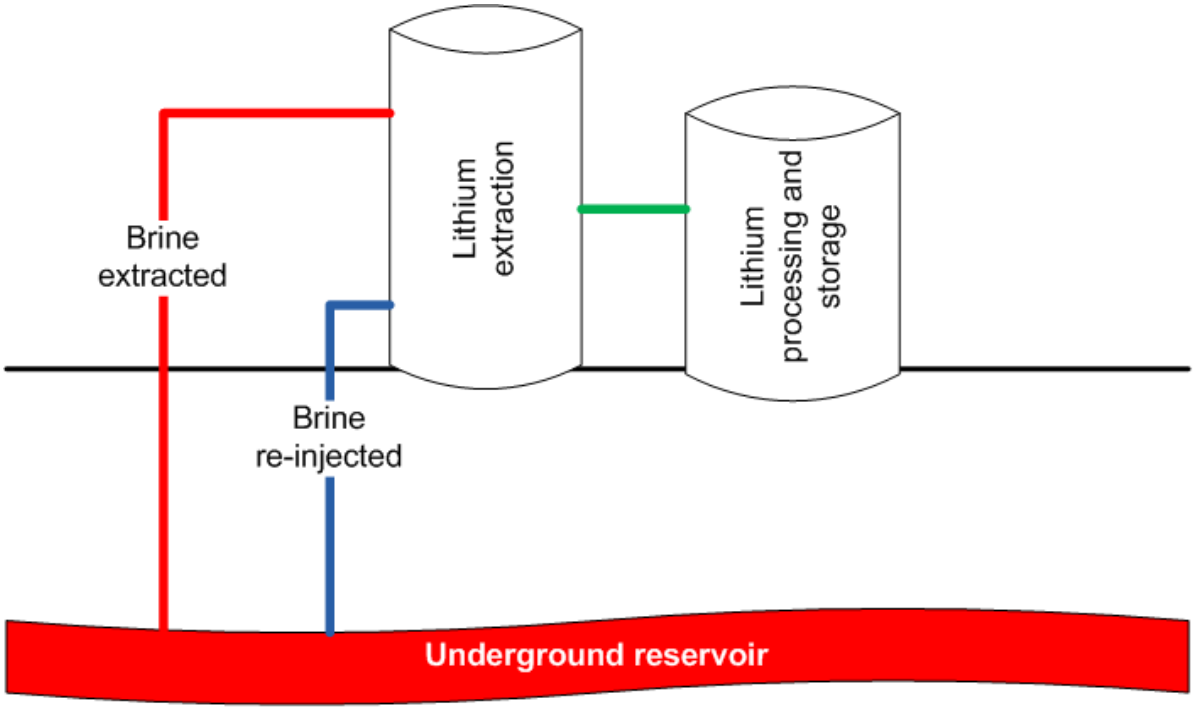
The concentrated brine is further processed using chemical processes to extract the lithium, initially in the form of lithium carbonate.

Brine mining is cheaper than alternative methods, but it can cause environmental damage. Each tonne of lithium requires 500,000 litres of water to process. That is a particular problem when mines are located in areas that have limited water supplies.

Evaporation ponds can also pollute local water supplies. The brine can leak into the earth and contaminate water that would otherwise be used for human consumption or agriculture.

Direct lithium extraction

Direct lithium extraction (DLE) reduces the environmental impact of lithium extraction by pumping brine to the surface, where it is processed to remove the lithium before returning the brine to its underground source.



This process is essentially an alternative to traditional brine mines. It is more expensive, but it avoids the environmental damage associated with storing brine in evaporation ponds. It also uses solvents to extract the lithium from the brine, so the extraction plants use much less fresh water.

Some underground reservoirs are heated by geological processes to temperatures of up to 50 degrees centigrade. Liquid at that temperature can power thermal electricity generation, which would enable a DLE plant to be self-sufficient in terms of power and to operate without carbon emissions.

Very few underground brine deposits are hot enough to be viable producers of geothermal electricity. None are presently being used to generate electricity on a commercial basis.

The three methods of extracting lithium have significantly different environmental impacts:

	Hard rock mining	Traditional brine mining	Direct lithium extraction
Carbon dioxide emissions per tonne of lithium	15,000kg	5,000kg	Powered by electricity, so emissions depend on power source.
Fresh water used per tonne of lithium	170,000 litres	500,000 litres	3,000 litres
Use of land per tonne of lithium (annual capacity)	460 square metres	3,200 square metres	1 square metre

The above figures are indicative but are also affected by specific circumstances such as the locations of the mines, the purity and chemical composition of the ore or brine and the required purity of the end product that is being extracted.

All three methods yield lithium carbonate as the initial product. That can be further processed to create lithium hydroxide or lithium chloride. Lithium carbonate is the most common product in manufacturing, but the other products are also used in the manufacture of advanced batteries and in some other industrial processes.

Lithium carbonate can also be processed into butyllithium, which has a number of applications ranging from the production of synthetic rubber to pharmaceuticals.

It is possible to extract lithium metal from lithium carbonate. The pure metal has some industrial applications, primarily in the manufacture of strong but lightweight metal alloys for use in aerospace. Lithium is highly volatile in this form, being difficult and dangerous to handle. It can also deteriorate very quickly if not stored correctly.

The lithium industry has significant barriers to entry because it can be difficult to obtain access to viable sources of ore or brine deposits. Governments are often reluctant to grant permission to mine for lithium because of the environmental damage associated with open pit mining and evaporation ponds. Direct lithium extraction has fewer environmental concerns, but it is expensive to buy suitable sites and to build and operate processing plants.

The four largest lithium producing companies, one of which is Rotomyne, account for more than 50% of global sales of lithium by value.

Spot v future markets

Most transactions involving lithium are normal commercial credit sales and purchases, with prices and terms of business being agreed at the time of sale (spot price).

Lithium is mined and processed into compounds by mining companies. Any given compound, such as lithium carbonate, is a generic product regardless of the mine from which it was obtained or the mining company who processed it. Lithium is a commodity that has an observable market. Prices for the commodity itself are set by supply and demand, although selling prices on individual transactions will take account of transportation costs.

There is a futures derivative that allows buyers and sellers to trade in lithium hydroxide contracts. Lithium hydroxide is used primarily in the manufacture of batteries for electric vehicles. Both buyers and sellers can use this derivative to manage the risk of price movements in lithium hydroxide for periods ranging from 1 month to 15 months. For example, a car manufacturer could buy futures contracts that mature in 6 months, guaranteeing the price that will be paid for lithium at that date.

Lithium futures contracts are cash-settled. Market participants pay or receive cash to the value of the difference between the market price when the contract is closed out and the price set by the contract.

This derivative enables buyers and sellers to fix prices in advance, although the pricing of the contracts will reflect market expectations. They can be used as part of a risk management strategy, but they cannot eliminate risk altogether.

Rotomyne

Rotomyne was founded in the 1950s and was quoted on the Porrlandian stock exchange in 1972. Initially, Rotomyne owned and operated a single large open pit lithium mine with an adjacent processing plant that supplied lithium carbonate to a wide range of industrial customers. The company has grown steadily since. Rotomyne now owns and operates six

hard rock mines and three traditional brine mines, located in a total of six different countries. Rotomyne is one of the world's four largest lithium producers.

Rotomyne acquired its newest mine in 2004. Each mine was acquired on the basis of a geological survey; the results of which suggested that there were substantial deposits of lithium that could be mined and processed economically. It is unlikely that Rotomyne will acquire any further new mines:

- Lithium can be mined in several regions of the world, but it is difficult to find viable new mines. There are relatively few promising sites available for sale. Any potential mines that remain available are likely to offer low quality ore or brine that will be expensive to process.
- Lithium mining can be damaging to the environment. Many governments are reluctant to permit new mining operations for that reason, despite the fact that lithium is necessary for the expansion of production of electric vehicles.
- Seven of Rotomyne's mines are located in stable and well-developed countries. The other two, the most recent acquisitions, are in relatively high-risk countries that lack political and economic stability. At the time of their acquisitions, there were no other mines that met Rotomyne's geological criteria.

The company's Board and Senior Management Team are based at its head office in Porrland. Porrland's Capital City is a convenient location from which to manage multinational business operations, although none of Rotomyne's mines are located there. Head office provides strategic planning and oversight for the company's mining operations. The mines and their associated processing plants are managed locally.

Rotomyne has a reputation for innovation, particularly in terms of developing processes for rapid and reliable extraction and delivery of lithium products:

- Rotomyne has a research and training facility that is associated with a leading university. This is used to develop new ways to use lithium in an industrial setting and also to develop new extraction and conversion techniques.
- Academic staff at the university use the facility for research into the chemical properties of lithium. Some of the findings from this research have led to commercial applications that have benefitted Rotomyne.
- Rotomyne collaborates with customers on research studies into the development of improved batteries and other products that require lithium.
- The research and training facility is also used to provide training in the safe handling and management of lithium for Rotomyne's professional chemists and engineers as well as for the university's academic staff and students.

Rotomyne manufactures the following products:

Products	Application	% of total revenue
Battery grade lithium hydroxide and lithium carbonate	Batteries for electric vehicles and electronic devices	45%
Non-battery grade lithium hydroxide	High temperature grease for use in engines	26%
Butyllithium	Tyres and pharmaceutical products	23%
High purity lithium metal	Alloys used by aircraft manufacturers	6%
		100%

Manufacturing takes place at processing plants adjacent to the mines. It is rarely cost-effective to ship unprocessed ore or evaporated brine to remote locations because of the volumes of waste product that they contain.

The mines are all highly automated. Automation reduces the need to expose workers to dust and fumes associated with mining and processing lithium.

Operations are managed centrally from Rotomyne's Head Office, which tracks inventory levels and anticipated shipments of products. Lead times vary according to the type of mine. Ore from hard rock mines can be processed within days, while brine takes up to 18 months in evaporation ponds before it is ready for processing.

Rotomyne sells its products globally. It ships products to more than 90 different countries. That creates a significant exposure to currency risks. The company has a treasury department based at its Head Office to manage foreign currency transactions and to address the associated currency risks.

Rotomyne's customers vary in terms of size and importance. Sales to its largest customer, a major vehicle manufacturer, accounted for 22% of Rotomyne's company's revenue during the year ended 30 September 2024.

Extracts from Rotomyne's annual report

Rotomyne's mission, vision and values

Our mission

Rotomyne's mission is to power consumers' lives in a world that is clean, healthy and sustainable.

Our vision

Rotomyne's vision is to meet customers' needs for the reliable supply of good quality materials. In particular, Rotomyne wishes to transform the delivery of power through its support for customers who depend on lithium for their products.

Our values

- Rotomyne acts ethically and honestly.
- Rotomyne operates in a sustainable manner.
- Rotomyne provides a safe working environment.
- Rotomyne constantly innovates.
- Rotomyne is responsive to customer needs.

Rotomyne's Board of Directors

Professor Iresh Jayawardena, Non-Executive Chair

Iresh had a successful career in the legal profession. He spent several years as managing partner of a major law firm, before retiring from law in order to pursue other interests. Iresh is a visiting professor of law at Capital University, in addition to serving on Rotomyne's Board.

Iresh was appointed as Rotomyne's Non-Executive Chair in 2022.

Shaista Shameem, Chief Executive Officer (CEO)

Shaista is a chemist. She holds BSc and MChem degrees from Capital University and has held senior positions in a number of chemical manufacturers. She joined Rotomyne in 2011 as a senior chemist at one of the processing plants adjacent to a brine mine, then subsequently was promoted to Plant Manager. She was transferred to a managerial role at Rotomyne's head office in 2018.

Shaista was promoted to Rotomyne's Board as Production Director in 2020 and was further promoted to CEO in 2022.

Dr Andrey Prokhorov, Production Director

Andrey graduated with distinction with a chemistry degree from Glentown University. He went on to complete a PhD on the behaviour of lithium-based alloys in deep space before embarking on a successful career in manufacturing. He has worked for several leading chemical companies, primarily on the development and manufacture of alloys. He joined Rotomyne as head of the research and training facility in 2018.

Andrey was promoted to Rotomyne's Board as Production Director in 2022.

Cecilia Battistelli, Human Resources Director

Cecilia has had a distinguished career in the management of human resources. Her first job was with the HR Department of an international bank, based in Porrland. She has since worked several major corporations. Cecilia served as HR Director of a major vehicle manufacturer before she joined Rotomyne.

Cecilia was appointed to Rotomyne's Board as Human Resources Director in 2020.

Martin Jacobs, Chief Finance Officer (CFO)

Martin spent much of his career to date working for a major international accounting firm, specialising in financial management. During that time, he had two overseas secondments, the first in a developing country and the second in a major trading centre. Martin was promoted to partner in 2008, subsequently spending 4 years as partner in charge of the accounting firm's operations in Porrland.

Martin joined Rotomyne's Board as CFO in 2019.

Onwaba Makanjana, Marketing Director

Onwaba has had a varied career in commercial sales. She has worked for Porrland Steel, reaching the position of Senior Sales Manager by the age of 30. In 2001, she joined Skaylane Aviation as Head of Sales and was promoted to Sales Director in 2010.

Onwaba joined Rotomyne as Marketing Director in 2019.

Pierre Forcier, Senior Independent Director

Pierre studied politics, philosophy and economics at university. He entered government service and had a successful career in a variety of administrative and advisory roles. His final role involved advising Porrland's Minister for Industry on the development of environmental legislation.

Pierre joined Rotomyne's Board as Senior Independent Director in 2020.

Caroline Nguyen Ngoc, Independent Non-Executive Director

Caroline was a chemist in a major oil company. Her responsibilities included health and safety and product quality. She held several senior roles with that company, including the management of operations at an oilfield.

Caroline retired from the oil industry in 2021 and joined Rotomyne's Board as an independent non-executive director.

Professor Lemi Baruh, Independent Non-Executive Director

Lemi had a career in academia. He taught electrical engineering at several prestigious universities in Porrland and overseas. His final appointment before retiring was as Dean of Engineering at South University. Lemi is the convener of the Education Committee at the Institute of Electrical Engineering.

Lemi joined Rotomyne's Board in 2021.

Board responsibilities

Shaista Shameem Chief Executive Officer			
Andrey Prokhorov Production Director	Cecilia Battistelli Human Resources Director	Martin Jacobs Chief Finance Officer (CFO)	Onwaba Makanjana Marketing Director
• Mine operations • Lithium extraction and conversion plants • Environmental protection	• Employee recruitment • Employee remuneration • Employee training • Health and safety	• Financial reporting • Management accounting • Treasury	• Sales and customer relations • Distribution channels

	Board committees			
	Audit	Risk	Remuneration	Nomination
Professor Iresh Jayawardena Non-Executive Chair	♦	♦		♦
Pierre Forcier Senior Independent Director	♦		♦	♦
Caroline Nguyen Ngoc Independent Non-Executive Director	♦	♦	♦	
Professor Lemi Baruh Independent Non-Executive Director		♦	♦	♦

Rotomyne's Chief Internal Auditor reports to the convener of the audit committee.

Rotomyne's Principal risks

Risk impact	Risk mitigation
Market prices of lithium compounds are volatile. Prices are affected by demand from industries such as vehicle manufacturing and consumer electronics. Prices are also affected by the supply of lithium, as determined by the actions of major producers, including Rotomyne.	Rotomyne pays close attention to movements in the market for lithium. The company aims to be responsive to emerging market changes by managing production levels in response to commodity prices and volume of demand. Rotomyne maintains a close relationship with customers, offering a reliable supply of good quality lithium.
Future production levels are constrained by the availability of exploitable reserves in Rotomyne's hard rock and brine mines. It may prove impossible to expand production through the acquisition of commercially-viable mines with permission for mining operations.	Rotomyne employs experienced and highly-qualified professionals to monitor reserves in existing mines and to search for any viable potential acquisitions that become available. Rotomyne aims to minimise the environmental impact of its existing mines.
Lithium mining and the manufacture and sale of lithium products are controlled by strict environmental regulations that can constrain operations and attract penalties if breached.	Rotomyne complies fully with all relevant regulations. In many cases, it exceeds local regulations by complying with the strictest requirements on a global basis.
Lithium is mined and sold worldwide. Rotomyne has mines in six different countries and makes sales to customers based in 90 countries. Exchange rate fluctuations affect costs and revenues.	Rotomyne has an in-house treasury team that monitors exchange rate risks and acts accordingly to ensure that risks are managed.
Rotomyne's mining operations are located in six countries which vary in terms of the stability and the integrity of their governments. Two of the company's mines are located in countries that suffer from political instability.	Rotomyne takes care to comply with all local regulations in the countries in which it operates. The company maintains close relationships with host governments, endeavouring to promote the benefits of its operations in terms of providing employment and foreign trade.
Mining operations and the operation of processing plants creates the risk of industrial accidents. These could lead to injuries to employees and environmental damage to local communities.	Rotomyne complies with all rules and regulations relating to the safe operation of mines and chemical plants. In some cases, it exceeds the formal requirements in order to provide even greater assurance of safety. Rotomyne maintains a close relationship with all regulators. It offers transparency through the proactive reporting of potential problems.

Rotomyne Group
Consolidated statement of profit or loss
for the year ended 30 September

	2024	2023
	P$ million	P$ million
Revenue	7,815	8,203
Operating costs	(5,074)	(4,841)
Operating profit	2,741	3,362
Finance costs	(500)	(500)
	2,241	2,862
Tax expense	(359)	(458)
Profit for the year	1,882	2,404

Rotomyne Group
Consolidated statement of changes in equity
for the year ended 30 September 2024

	Share capital	Retained earnings	Currency reserve	Total
	P$ million	P$ million	P$ million	P$ million
Opening balance	3,000	2,054	(217)	4,837
Profit for year		1,882		1,882
Dividend		(1,684)		(1,684)
Loss on translation			(221)	(221)
Closing balance	3,000	2,252	(438)	4,814

Rotomyne Group
Consolidated statement of financial position
as at 30 September

	2024	2023
	P$ million	P$ million
Assets		
Non-current assets		
Property, plant and equipment	7,270	7,344
Goodwill	1,814	1,814
Other intangible assets	326	294
	9,410	9,452
Current assets		
Inventory	845	866
Trade receivables	765	879
Bank	857	852
	2,467	2,597
Total assets	11,877	12,049
Equity		
Share capital	3,000	3,000
Currency reserve	(438)	(217)
Retained earnings	2,252	2,054
	4,814	4,837
Liabilities		
Non-current liabilities		
Borrowings	5,000	5,000
Current liabilities		
Trade payables	1,700	1,755
Tax liability	363	457
	2,063	2,212
Total equity and liabilities	11,877	12,049

Extract from competitor's financial statements

Lithdig is one of Rotomyne's direct competitors, with ten lithium mines operating in seven different countries.

Lithdig's head office is located in Porrland.

Lithdig Group
Consolidated statement of profit or loss
for the year ended 30 September

	2024	2023
	P$ million	P$ million
Revenue	9,691	10,254
Operating costs	(6,237)	(6,119)
Operating profit	3,454	4,135
Finance costs	(300)	(300)
	3,154	3,835
Tax expense	(505)	(614)
Profit for the year	2,649	3,221

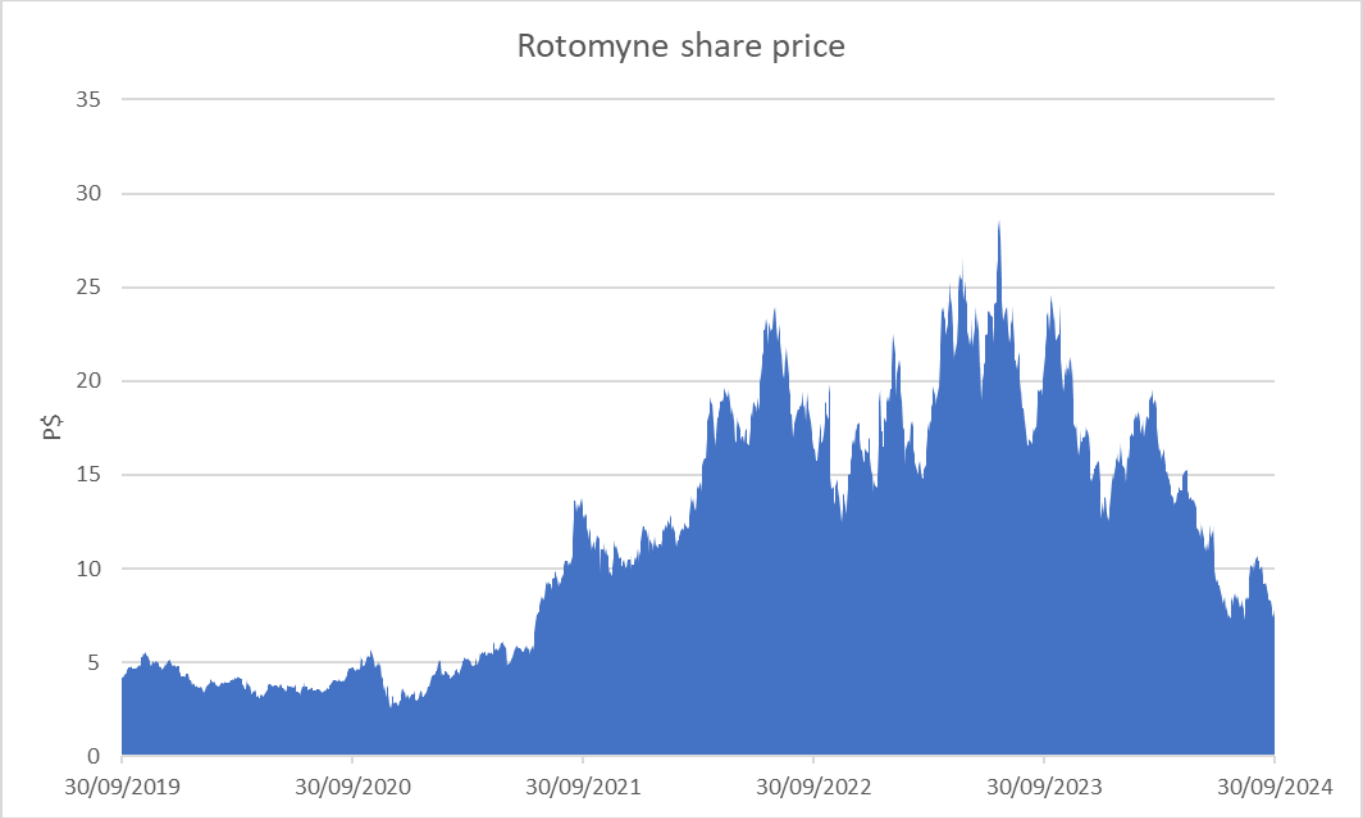
Lithdig Group
Consolidated statement of changes in equity
for the year ended 30 September 2024

	Share capital	Retained earnings	Currency reserve	Total
	P$ million	P$ million	P$ million	P$ million
Opening balance	3,500	4,614	(595)	7,519
Profit for year		2,649		2,649
Dividend		(1,313)		(1,313)
Loss on translation			(27)	(27)
Closing balance	3,500	5,950	(622)	8,828

Lithdig Group
Consolidated statement of financial position
as at 30 September

	2024	2023
	P$ million	P$ million
Assets		
Non-current assets		
Property, plant and equipment	8,797	7,344
Goodwill	2,045	2,045
Other intangible assets	418	392
	11,260	9,781
Current assets		
Inventory	1,530	1,074
Trade receivables	786	1,104
Bank	744	1,044
	3,060	3,222
Total assets	14,320	13,003
Equity		
Share capital	3,500	3,500
Currency reserve	(622)	(595)
Retained earnings	5,950	4,614
	8,828	7,519
Liabilities		
Non-current liabilities		
Borrowings	3,000	3,000
Current liabilities		
Trade payables	1,984	1,872
Tax liability	508	612
	2,492	2,484
Total equity and liabilities	14,320	13,003

Share price history

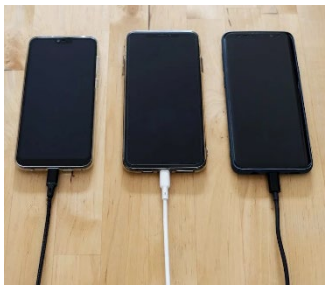


Rotomyne's beta is 1.63.

News stories

Happy Comic

Readers' questions



Question: How do rechargeable batteries work and why don't they last forever?

Alice, age 10

Answer: All batteries consist of three basic parts: two metal electrodes (the "cathode" and the "anode") and a liquid or paste called the "electrolyte", which separates the two electrodes. Connecting the cathode and the anode from the outside of the battery (perhaps by plugging a battery into your favourite toy) causes a flow of electrons, which is just another term for electricity.

The external flow of electrons is driven by a flow of positively charged ions from the anode to the cathode. The ions are created by a chemical reaction inside the battery and they flow through the electrolyte. The chemical reaction inside the battery continues until the electrodes can no longer create or accept the positive ions. If the battery is single use, then it is now flat and can longer be used as a power source.

Rechargeable batteries differ from single use because it is possible to reverse the chemical process by applying an electrical charge to the electrodes from the outside. The charge sends positive ions from the cathode back to the anode. Unfortunately, this process is not perfect. The electrodes cannot accept as many ions as were lost during their previous use as a power source, which means that the battery's capacity reduces slightly every time it is recharged.

Rechargeable batteries deteriorate slightly with every charge-recharge cycle, until there is no point in using them. That explains why you have to replace the rechargeable battery in your mobile phone after a few years (or buy a new phone if the battery cannot be replaced).

Question: If mining for lithium is bad for the environment, why don't we recover the lithium from batteries when they are no longer able to hold a charge?

Mathew, age 12

Answer: In theory, that would be a great idea, but it isn't really practical. The electrolyte in a lithium-ion battery is held in modules that are made up of large numbers of cells. Recovering the lithium requires the cells to be opened up and emptied, which requires a lot of time and a lot of energy. It wouldn't necessarily benefit the environment to extract the lithium from old batteries instead of mining more.

Question: We have been studying batteries in chemistry. One of my classmates says that her home country produces the best lithium in the world. Could that be true?

Jiayi, age 11

Answer: No. Lithium is mined in several different countries. It comes from the earth as either rocks or brine that contain lithium compounds. The rocks and brine are processed to extract lithium carbonate, which is a chemical compound that can be further processed to give different compounds.

It does not matter where lithium was mined once it has been processed. Lithium carbonate produced in one country is identical to lithium from any other. It is sold as a commodity and the price of lithium as a raw material is the same regardless of its source.

Location can make a difference to the mining companies because their operating costs will be affected by the purity of the mined rocks or brine. If the material from the mine is of a higher purity, then it will be cheaper and easier to extract the lithium carbonate. Location also affects transportation costs.

Question: We are still learning about batteries in chemistry. We found out today that the electrolyte used in lots of rechargeable batteries is either lithium carbonate or lithium hydroxide. They still get called “lithium” even though they are compounds of the pure lithium metal. Isn’t that confusing?

Jiayi, age 11

Answer: It is common practice to refer to different compounds of lithium in this way. For most purposes, the context in which the word is used makes its meaning clear. It is possible to extract lithium in its pure metal form, but it is difficult to store because it is highly volatile and deteriorates quickly if it comes into contact with the atmosphere. It is unlikely that any mention of “lithium” is referring to pure lithium metal.

Obviously, companies who buy lithium compounds (or pure lithium metal) will be very specific about the material that is being ordered and so there will be no confusion.

Porrland Telegraph

OT is the new threat vector

Factories used to be operated by engineers, many of whom worked on the factory floor. They checked dials and adjusted levers to ensure that factory operations were safe and consistent. Work in progress was carried from machine to machine by pipes or by conveyor belts and processes were monitored constantly to ensure that everything worked as it should.

Factories are now more likely to be controlled by Operational Technology (OT) rather than by human intervention. OT consists of the combination of hardware and software that monitors and directs the operation and control of equipment, processes and events in the workplace.

OT enables factories to be managed centrally, with processes being managed by automation rather than human operators. Machines are not simply automatic; they can pass instructions to adjacent equipment, activating valves and carriers to transfer materials to the next stage in the process and sending the correct settings to the machinery that will conduct the next stage of manufacture.

The Industrial Control Systems (ICS) that enable this communication and coordination are not new, they were developed decades ago. They were designed to enable safe and efficient operations, with little concern for security because there was rarely any external connectivity. What is new is that ICS is being integrated with IT systems, despite the lack of security features in ICS software. Connecting ICS systems to IT networks creates opportunities for unauthorised breaches that can be motivated by a desire to access confidential data or to disrupt manufacturing operations.

Porrland Telegraph

Scientists debate battery storage options

This year's annual academic conference on carbon-free energy generation has focussed its attention on the security of electricity supplies. This has been a significant concern because many of the alternatives to fossil fuels rely on energy sources that can be inconsistent in their delivery of power.

Wind and solar energy are excellent when winds blow and the skies are sunny, but not all locations can provide consistent power. One solution is to capture excess energy that is not required for immediate consumption. There are several technologies that can be used to store surplus electricity, including arrays of the same lithium-ion batteries that are used to power electric vehicles.

Demand for lithium-ion batteries for energy storage is limited because the batteries are too expensive for this purpose. Alternative battery types are under development, some of which will be suitable for the efficient storage of surplus electricity. Sodium-ion batteries are much cheaper to produce because they use more abundant materials. They should be commercially available by 2030. They are larger and heavier than equivalent lithium-ion batteries, making them unsuitable for use in electric vehicles. That greater bulk is not a problem if the batteries are to be located in a windfarm as a means of storing electricity that is not required for immediate consumption, perhaps on a windy day.

Porrland Daily

Careers - geologists are in demand

Geology is the study of the earth's structure and its substance. Geologists analyse rock samples and use equipment to study activity under the earth's surface. They are often looking for resources that can be extracted by mining or by drilling wells.

Continuing demand for natural resources means that demand for geologists frequently exceeds supply. An experienced geologist can expect to be well paid.

A career in geology can be challenging. There are many techniques for studying what lies beneath the earth's surface, but it is rarely possible to be 100% certain of what is there. A geologist may be confident of the presence of, say, iron ore, but the only way to be certain is to sink a test drill to collect samples. Iron ore may be present, but the ore could be low grade or the deposit may be insufficient to justify mining. There is also a possibility that the earth's structure in that area is not sufficiently stable to mine safely.

Strategic Case Study Exam

Maximum Time Allowed: 3 Hours

Welcome, Candidate Name

If this is not your name, please let your administrator know.

Click **Next** to start the test.

This examination is structured as follows:

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1	60	1	2	(a) 60% (b) 40%
2	60	1	2	(a) 50% (b) 50%
3	60	1	2	(a) 60% (b) 40%

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This information will be available for you to access during the examination by clicking on the Pre-seen button.

Reference Material Pre-seen

Martin Jacobs, Chief Finance Officer, stops by your workspace:

"I have brought you a news article that has just gone online. We were, of course, aware of the declining demand for lithium from car makers. We had hoped this would be temporary and that demand would recover, but this announcement suggests otherwise. Pintna Motors is one of our biggest customers.

I need two things from you before the Board meets tomorrow to discuss this matter:

- Firstly, identify and evaluate the challenges associated with understanding and managing the ecosystem within which Rotomyne operates.

[sub-task (a) = 60%]

- Secondly, explain how Rotomyne might benefit from applying scenario planning to the possibility that car manufacturers will continue to reduce their use of lithium."

[sub-task (b) = 40%]

The article referred to by Martin can be viewed by clicking on the Reference Material button above.

Porrland Telegraph

Pintna Motors withdraws electric car brand

Pintna Motors has announced that it will no longer manufacture electric cars under the ePintna brand. Sales of electric cars have been disappointing because of motorists' concerns about the range of the latest models and the availability of high-speed chargers.

Pintna Motors will continue to manufacture electric cars, but at a lower volume than before, and they will be sold alongside petrol and diesel cars.

Pintna is the third manufacturer to announce a reduction in the manufacture of electric cars in the last 6 months. Sales of electric cars had been growing steadily since their introduction, partly because electric cars were regarded as less damaging to the environment and partly because of government subsidies for their purchase. Feedback from drivers suggests that there are insufficient places to charge the growing numbers of electric cars. Also, government subsidy schemes are coming to an end, in accordance with the timetables that were announced at their introduction.

Reference Material Pre-seen

Draft your response to Martin's requests in the box below.

Paragraph

Reference Material Pre-seen

A month later, you receive the following email:

From: Martin Jacobs, Chief Finance Officer
To: Senior Finance Manager
Subject: Demand from car manufacturers

I have attached an extract from the minutes of this morning's Board meeting.

I need the following from you:

- Firstly, evaluate the risk register's mitigation for the risk of volatility in demand for lithium.

[sub-task (a) = 50%]

- Secondly, evaluate the suitability of assigning the responsibility for the volatility risk to the Board as a whole.

[sub-task (b) = 50%]

Regards

Martin

The extract referred to by Martin can be viewed by clicking on the Reference Material button above.

Extract from Board minutes

The Board discussed the recent decrease in demand for battery-grade lithium from car manufacturers.

Pierre Forcier, Senior Independent Director, acknowledged that Rotomyne's risk register identifies volatility in demand for lithium as a potential risk, but he was concerned that the only mitigation for this risk consisted of:

- monitoring the lithium market, adjusting output in response to changes in demand
- maintaining a close relationship with customers, providing a reliable service

The risk register assigned the responsibility for managing this risk to the Board as a whole.

Mr Forcier proposed that a more robust response to this risk should be in place. The Board agreed to discuss this matter further at a future meeting.

Reference Material Pre-seen

Draft your response to Martin's requests in the box below.

From: Senior Finance Manager
To: Martin Jacobs, Chief Finance Officer
Subject: RE: Demand from car manufacturers

Paragraph

Reference Material Pre-seen

Two months later, you receive the following email:

From: Martin Jacobs, Chief Finance Officer
To: Senior Finance Manager
Subject: FWD: Demand issues

Hello,

I have forwarded an email that I received from Shaista Shameem, Rotomyne's Chief Executive Officer.

I need your advice on two matters:

- Firstly, recommend with reasons whether or not Rotomyne should attempt to maintain its dividend into the year ended 30 September 2025.

[sub-task (a) = 60%]

- Secondly, evaluate Shaista's suggestion that Rotomyne should consider developing an exit strategy for the divestment of mines.

[sub-task (b) = 40%]

Regards

Martin

The email referred to by Martin can be viewed by clicking on the Reference Material button above.

From: Shaista Shameem, Chief Executive Officer
To: Martin Jacobs, Chief Finance Officer
Subject: Demand issues

Hi Martin,

Production of electric vehicles has decreased over the past year, despite previous expectations that demand for electric vehicles would increase steadily until all vehicles were powered by electricity. That decrease caused the reduction in Rotomyne's revenue and operating profit compared to the previous year. Our rivals have been subject to the same pressures. It is to be hoped that this is a temporary decrease and so we should take care to reassure the financial markets as much as possible.

Rotomyne's dividend has grown at 3% each year for the past 5 years. We maintained that growth of dividend for the year ended 30 September 2024, even though that meant distributing 90% of the year's profits. We need to consider whether we should attempt to maintain dividend growth for the present year.

Rotomyne owns and operates nine mines, six hard rock mines and three traditional brine mines. Each mine is supported by a processing plant that can produce battery grade lithium hydroxide and lithium carbonate. We have responded to the decrease in demand for lithium by reducing production levels at each mine to match sales. We may have to consider divesting ourselves of at least one of our mines in the event that demand fails to improve. Each mine has significant fixed operating costs.

Regards

Shaista

Reference Material Pre-seen

Draft your response to Martin's requests in the box below.

From: Senior Finance Manager
To: Martin Jacobs, Chief Finance Officer
Subject: FWD: RE: Demand issues

Paragraph

Thank you for completing the Strategic Case Study Exam.

Before you leave, don't forget to collect your printed confirmation of attendance.

Please click the End Exam (E) button before leaving the testing room quietly.

Strategic Case Study Exam

Maximum Time Allowed: 3 Hours

Welcome, Candidate Name

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3	60	1	2	(a) 50% (b) 50%

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Reference Material Pre-seen

Martin Jacobs, Chief Finance Officer, invites you into his office:

"This news article has just gone online. The mine's Head of Security has started investigations and has several potential suspects, including:

- rival mining companies
- criminal groups of environmental campaigners
- local fruit farmers
- unhappy employees

This is a serious matter. Our share price dropped by 15% after news of the attack was released.

I need your advice on two matters before I brief the rest of the Board.

- Firstly, recommend with reasons how a stakeholder analysis might help provide a rational analysis of potential suspects for this attack and so assist the Head of Security with the identification of likely perpetrators.

[sub-task (a) = 40%]

- Secondly, recommend with reasons how Rotomyne's Board might mitigate the impact of this attack on the company's share price."

[sub-task (b) = 60%]

The news article referred to by Martin can be viewed by clicking on the Reference Material button above.

Porrland Telegraph

Rotomyne suffers damaging cyber-attack

Rotomyne, one of the world's largest lithium miners, has suffered a major cyber-attack at its brine mine on Menrodia. It is understood that the perpetrators of this attack inserted malware into the network that controls the mine's operations. The malware caused large quantities of brine to be pumped into the adjacent processing facility and created an overflow.

Lithium brine is potentially toxic. The Menrodian government has evacuated the area surrounding the mine as a precaution.

Menrodia is a developed country that covers a significant land mass. The mine is surrounded by fruit farms and so there are concerns about the impact of the leak on the local economy.

Environmentalists have complained that the mine causes significant environmental damage, partly due to leakages of toxic chemicals and partly because of the mine's water consumption. Environmental protection has been a major topic for debate in relation to Menrodia's forthcoming elections.

Reference Material Pre-seen

Draft your response to Martin's requests in the box below.

Paragraph

Reference Material Pre-seen

A month later, you receive the following email:

From: Martin Jacobs, Chief Finance Officer
To: Senior Finance Manager
Subject: Cyber-attack

Hello,

I have attached an extract from the minutes of this morning's Board meeting.

I need your help with two matters:

- Firstly, recommend with reasons the approach that Rotomyne's Board should take to manage digital security.

[sub-task (a) = 60%]

- Secondly, recommend with reasons the approach that Rotomyne should take to manage the political risks in Menrodia in relation to the impact of the cyber-attack.

[sub-task (b) = 40%]

Regards

Martin

The extract referred to by Martin can be viewed by clicking on the Reference Material button above.

Extract from Board minutes

Cyber-attack

Shaista Shameem, Chief Executive Officer, informed the Board that she had visited Menrodia, both to observe the local response to the recent cyber-attack and to discuss the attack with members of the Menrodian Government. Menrodia is a developed country that covers a significant land mass. The mine is surrounded by fruit farms which have been affected by the flooding caused by the cyber-attack.

The mine's Head of Security informed Ms Shameem that the investigation into the cyber-attack had been hampered by the fact that Rotomyne's Information Technology (IT) Security staff are all relatively junior employees under the supervision of a senior manager at head office. The mine's Head of Security had struggled to obtain meaningful support from IT Security because it was unclear who was responsible for allocating resources to the investigation.

Rotomyne has been cooperating with the Menrodian Government to ensure that the spillage from the mine has been contained and managed. There is still considerable interest in the impact on local agriculture and the Mendorian Government is concerned that it may have to take drastic action against Rotomyne.

It was agreed that these matters would be discussed further.

Reference Material Pre-seen

Draft your response to Martin's requests in the box below.

From: Senior Finance Manager
To: Martin Jacobs, Chief Finance Officer
Subject: RE: Cyber-attack

Reference Material Pre-seen

Two months have passed. Rotomyne's Board commissioned a consulting firm to investigate the cyber-attack at Rotomyne's mine in Menrodia and the firm has just submitted its report.

You receive the following email:

From: Martin Jacobs, Chief Finance Officer
To: Senior Finance Manager
Subject: Investigation results

Hello,

I have forwarded an extract from the report prepared by the security consultants who investigated the cyber-attack at our mine.

I need your advice on two matters:

- Firstly, recommend with reasons the controls that should be introduced to prevent a recurrence of this attack.

[sub-task (a) = 50%]

- Secondly, recommend with reasons the work that Rotomyne's Internal Audit Department could undertake to ensure compliance with these new controls.

[sub-task (b) = 50%]

Regards

Martin

The extract referred to by Martin can be viewed by clicking on the Reference Material button above.

Executive summary of report on cyber-attack at Rotomyne's Menrodian mine

Prepared by Domakk Consulting

The cyber-attack was perpetrated by a third party who entered the mine's control room 30 minutes before a shift change. The control room is normally staffed by a supervisor and two junior operators, but the supervisor was in the staff coffee room, briefing the supervisor in charge of the next shift on operational matters.

The third party claimed to be an engineer employed by a machine vendor. He showed the junior operators a fake identification card, which they accepted as genuine. He asked if he could connect his laptop to one of the operators' control terminals, claiming that he had to access data stored in a machine's memory in order to carry out an urgent safety check. One of the operators allowed the third party to use a network cable to connect his laptop. It is now clear that the laptop was used to upload malware onto the equipment used to operate the mine and the processing plant.

The third party unplugged his laptop and left before the replacement shift arrived to take over.

The third party arrived and departed by car. The security guard at the staff entrance logged the third party's car registration number, which has since been discovered to have been fake.

Reference Material Pre-seen

Draft your response to Martin's requests in the box below.

From: Senior Finance Manager
To: Martin Jacobs, Chief Finance Officer
Subject: RE: Investigation results

Paragraph

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Strategic Case Study Exam

Maximum Time Allowed: 3 Hours

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2	60	1	2	(a) 50% (b) 50%
3	60	1	2	(a) 60% (b) 40%

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Reference Material Pre-seen

You have received the following email:

From: Martin Jacobs, Chief Finance Officer
To: Senior Finance Manager
Subject: Climate change disclosures

Hello,

I have attached a news report that has just gone online.

I have checked the report referred to in the story. Rotomyne has scored badly in terms of transparency when compared to other large lithium mining companies. We have chosen to say very little in relation to factors affecting climate change and so our compliance is significantly poorer than that of our three largest competitors.

I plan to brief the Board soon and I need your advice on two matters:

- Firstly, evaluate the potential impact of our decision not to be more transparent in this area on the behaviour of our stakeholders, other than our shareholders.

[sub-task (a) = 40%]

- Secondly, evaluate the potential impact of our apparent lack of transparency on our share price.

[sub-task (b) = 60%]

Regards

Martin

The news report referred to by Martin can be viewed by clicking on the Reference Material button above.

Porrland Telegraph

Business news – Mining industry criticised over climate change disclosure

A study of corporate disclosure relating to climate change suggests that the mining industry is becoming less transparent in its reporting. Accountancy firm Cobboah's annual study used to place the mining industry at the top of the list in terms of transparency, but now the disclosures have slipped in comparison to other industries.

The study analyses the quality of the disclosures in terms of their compliance with the 14 recommendations for reporting, as published by a leading environmental organisation. Only 10% of mining companies complied with all 14 recommendations, with most achieving compliance scores of between 30% and 70%. Most other industrial sectors achieved much better scores.

Reference Material Pre-seen

Draft your response to Martin's requests in the box below.

From: Senior Finance Manager
To: Martin Jacobs, Chief Finance Officer
Subject: RE: Climate change disclosures

Paragraph

Reference Material Pre-seen

The following day, Martin Jacobs asks you to join him in his office:

"I have brought you an extract from this morning's Board meeting.

I need your advice concerning two matters:

- Firstly, evaluate the relevance of the suitability, acceptability and feasibility (SAF) criteria for deciding whether to offer the disclosures listed by Professor Jayawardena.

[sub-task (a) = 50%]

- Secondly, evaluate the implications of linking directors' remuneration to performance in relation to managing climate change."

[sub-task (b) = 50%]

The extract referred to by Martin can be viewed by clicking on the Reference Material button above.

Extract from Board minutes

Environmental disclosures

The Board discussed poor performance of lithium mining companies in general, and Rotomyne in particular, with regard to transparency concerning climate change factors.

Professor Iresh Jayawardena, Non-Executive Chair, identified governance as one area in which the industry was particularly poor at providing disclosure relating to climate change. A leading environmental organisation has published recommendations for disclosures relating to governance and climate change. These recommendations include:

- Evidence of the Board's commitment to managing climate change.
- The manner in which the Board engages with the management team in relation to climate change.
- The manner in which the Board's performance is measured and taken into account in determining directors' remuneration.

Professor Jayawardena proposed that Rotomyne's Board should consider disclosing the governance aspects of managing Rotomyne's impact on climate change.

The Board agreed to discuss this proposal at a later date.

Reference Material Pre-seen

Draft your response to Martin's requests in the box below.

Paragraph

Reference Material Pre-seen

A month later, you receive the following email:

From: Martin Jacobs, Chief Finance Officer
To: Senior Finance Manager
Subject: FWD: Sustainability issues

Hello,

I have forwarded an email from Shaista Shameem, our CEO.

I need your advice on two matters:

- Firstly, recommend with reasons the factors that Rotomyne should consider in relation to maintaining its permission to operate in the six host countries.

[sub-task (a) = 60%]

- Secondly, evaluate the arguments for and against selling our three brine mines, which cause far more contamination than our hard rock mines, to one of the car manufacturers who buys lithium from our rivals.

[sub-task (b) = 40%]

Regards

Martin

The email referred to by Martin can be viewed by clicking on the Reference Material button above.

From: Shaista Shameem, CEO
To: Martin Jacobs, Chief Finance Officer
Subject: Sustainability issues

Hello Martin,

Our recent discussions concerning climate change have prompted me to think about the wider environmental impacts that our operations can have on local ecosystems. Our mines and processing plants consume a great deal of water. They also release contaminants into local water supplies and can cause air pollution.

Our head office is in Porrland, but we mine and process our lithium overseas in the six countries that host our mines.

We need to pay close attention to the implications of operating our mines and processing plants in these host countries. We cannot afford to lose our permission to operate in any of our host countries.

Regards

Shaista

Reference Material Pre-seen

Draft your response to Martin's requests in the box below.

From: Senior Finance Manager
To: Martin Jacobs, Chief Finance Officer
Subject: FWD: RE: Sustainability issues

Paragraph

Thank you for completing the Strategic Case Study Exam.

Before you leave, don't forget to collect your printed confirmation of attendance.

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Strategic Case Study Exam

Maximum Time Allowed: 3 Hours

Welcome, Candidate Name

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2	60	1	2	(a) 50% (b) 50%
3	60	1	2	(a) 40% (b) 60%

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Reference Material Pre-seen

Martin Jacobs, Chief Finance Officer, asks you to join him in his office:

"I have brought you an extract from a proposal that has been put forward by our Production Department.

I need your advice on two matters before the Board meets to discuss this report:

- Firstly, evaluate the risks to Rotomyne arising from continuing to use traditional brine mining methods.
  [sub-task (a) = 40%]

- Secondly, evaluate the proposal on the basis of the suitability, acceptability and feasibility (SAF) criteria."
  [sub-task (b) = 60%]

The extract referred to by Martin can be viewed by clicking on the Reference Material button above.

Proposal to replace traditional brine mines with direct lithium extraction (DLE)

Executive summary

Prepared by Pieter Mendelts, Senior Manager in Production

Rotomyne presently operates three traditional brine mines, one in Menrodia and two in Gavlonia. All three mines are located in agricultural regions of the host countries.

Environmental activists in both countries have criticised their governments for permitting the operation of these mines. Traces of chemicals associated with lithium mine evaporation ponds have been detected up to 60 miles from each of the mines.

It is proposed that Rotomyne should replace each of its traditional brine mines with direct lithium extraction ("DLE") mines. We would have to drill two new shafts at each mine, one to extract the brine and the other to re-inject the brine back into underground brine reservoir. Each mine would also require a new lithium extraction plant that uses chemical solvents to process the brine and extract the lithium.

DLE mines have higher operating costs than traditional brine mines. Extraction plants require the use of large quantities of solvents and the employment of additional staff compared to evaporation ponds. Solvents will have to be delivered to each mine by road. The processing plants will be powered by electricity from diesel generators.

Reference Material Pre-seen

Draft your response to Martin's requests in the box below.

Paragraph

Reference Material Pre-seen

Two months later, you receive the following email:

From: Martin Jacobs, Chief Finance Officer
To: Senior Finance Manager
Subject: Potential acquisition

Hello,

I have attached an extract from the minutes of this morning's Board meeting.

I have studied Leclith's most recent financial statements. The company has a policy of investing heavily in the development of mining technology. It has not paid a dividend for at least 4 years. Rotomyne's most recent dividend was 90% of its profit for the year.

I need your advice on two matters:

- Firstly, recommend with reasons the factors that Rotomyne should take into account in deciding whether to acquire Leclith.

[sub-task (a) = 50%]

- Secondly, evaluate the likely response of Leclith's shareholders to Rotomyne's dividend policy.

[sub-task (b) = 50%]

Regards

Martin

The extract referred to by Martin can be viewed by clicking on the Reference Material button above.

Extract from Board minutes
Brine mining opportunity

Andrey Prokhorov, Production Director, informed the Board that new boreholes have been drilled at each of Rotomyne's three brine mines. The brine extracted from all three mines using these boreholes is at a temperature that would enable geothermal generation of electricity, sufficient to power the mines and lithium processing plants and to provide electricity to nearby communities.

Geothermal electricity generation, in conjunction with direct lithium extraction (DLE) mining, is a complex process. Leclith is the only company to have mastered this. Leclith owns and operates four DLE mines, all of which are powered by geothermal electricity. It is based in Porrland, Rotomyne's home country, and is quoted on the Porrlandian Stock Exchange.

Mr Prokhorov proposed that Rotomyne should acquire Leclith in order to obtain the benefit of its knowledge of DLE mining and geothermal electricity generation. Leclith's market capitalisation is 35% of Rotomyne's, so it should be possible to acquire the company through an exchange of shares without sacrificing control.

Reference Material Pre-seen

Draft your response to Martin's requests in the box below.

From: Senior Finance Manager
To: Martin Jacobs, Chief Finance Officer
Subject: RE: Potential acquisition

Reference Material Pre-seen

Six months later, Rotomyne acquired 100% of Leclith's equity by an exchange of shares. Leclith's former shareholders now own 30% of the Rotomyne Group. You receive the following email:

From: Martin Jacobs, Chief Finance Officer
To: Senior Finance Manager
Subject: FWD: Governance issues post-acquisition

Hello,

I have forwarded an email that I received from the Non-Executive Chair.

I need your advice on two matters:

- Firstly, evaluate the ethical issues arising from the points made in Iresh's email.

[sub-task (a) = 40%]

- Secondly, recommend with reasons the factors that the Nomination Committee should take into account in selecting both executive and non-executive directors to serve on Rotomyne's Board.

[sub-task (b) = 60%]

Regards

Martin

The email referred to by Martin can be viewed by clicking on the Reference Material button above.

From: Iresh Jayawardena, Non-Executive Chair
To: Martin Jacobs, Chief Finance Officer
Subject: Governance issues post-acquisition

Hello Martin,

We need to address some governance issues that were left undecided during the negotiations leading up to our acquisition of Leclith.

We need to decide on the composition of Rotomyne's Board:

- I believe that two of Leclith's executive directors should be appointed to Rotomyne's Board, replacing two of Rotomyne's current executive directors. Rotomyne's Nomination Committee should select both the incoming and outgoing directors. Leclith's remaining directors and the two Rotomyne directors who have been replaced will then step down, with a generous financial settlement, to be decided by the Remuneration Committee.
- Rotomyne and Leclith each have three independent non-executive directors. I believe that a total of three non-executives should be selected by the Nomination Committee and the remainder should step down from office.
- There has been some debate over who will lead the expanded Group. I believe that I should continue as Non-Executive Chair and that Shaista Shameem, Rotomyne's current Chief Executive Officer (CEO), should remain in that position.
- These appointments will have to be agreed by the shareholders. I have spoken to Rotomyne's largest shareholders, who together own 35% of Rotomyne's equity. They have agreed to support my recommendations, particularly with regard to the appointments of the Non-Executive Chair and CEO.

Regards

Iresh

Reference Material Pre-seen

Draft your response to Martin's requests in the box below.

From: Senior Finance Manager
To: Martin Jacobs, Chief Finance Officer
Subject: FWD: RE: Governance issues post-acquisition

Paragraph

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Strategic Case Study Exam

Maximum Time Allowed: 3 Hours

Welcome, Candidate Name

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3	60	1	2	(a) 50% (b) 50%

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This information will be available for you to access during the examination by clicking on the Pre-seen button.

Reference Material Pre-seen

You receive the following email:

From: Martin Jacobs, Chief Finance Officer
To: Senior Finance Manager
Subject: Battery factory

Hello,

I have attached a news report that has just gone online.

I believe that one way forward would be for Rotomyne to build a battery factory in Gavlonia, close to the larger of the two mines in that country. The factory would manufacture batteries for electric vehicles, which would be sold for export to car manufacturers. The factory would create jobs and Rotomyne would earn more profit in the country and so would pay more tax.

I need your advice on two matters:

- Firstly, evaluate the argument that building and operating a battery factory in Gavlonia would be consistent with Rotomyne's mission, vision and values.

[sub-task (a) = 60%]

- Secondly, evaluate the impact that the factory would have on the political risks associated with operating in Gavlonia.

[sub-task (b) = 40%]

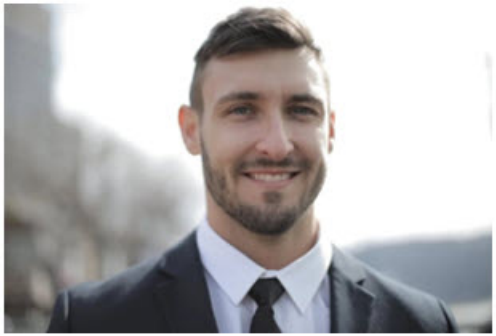
Regards

Martin

The news report and Rotomyne's mission, vision and values referred to by Martin can be viewed by clicking on the Reference Material button above.

Porrland Telegraph

Gavlonian Government accuses Rotomyne of exploitation



Gavlonia's Minister for Trade has criticised Rotomyne of profiting at his country's expense over the operation of its two lithium mines in the country. Rotomyne has two traditional brine mines in Gavlonia. They yielded 120,000 tonnes of lithium during the year ended 30 September 2024.

The Minister pointed out that Rotomyne earned P$1.5 billion from the sale of this lithium, with very little benefit to the Gavlonian economy.

The evaporation ponds used by Rotomyne to capture lithium prior to processing occupy a great deal of land and consume a great deal of water. They do not, however, provide many jobs. The ponds are also responsible for pollution of nearby agricultural land.

The Minister warned that he was considering introducing tighter rules in relation to forcing foreign companies to repair any environmental damage that they cause and also to declare their profits in a more transparent manner that will enable Gavlonia to collect more tax.

Rotomyne's mission, vision and values

Our mission

Rotomyne's mission is to power consumers' lives in a world that is clean, healthy and sustainable.

Our vision

Rotomyne's vision is to meet customers' needs for the reliable supply of good quality materials. In particular, Rotomyne wishes to transform the delivery of power through its support for customers who depend on lithium for their products.

Our values

- Rotomyne acts ethically and honestly.
- Rotomyne operates in a sustainable manner.
- Rotomyne provides a safe working environment.
- Rotomyne constantly innovates.
- Rotomyne is responsive to customer needs.

Reference Material Pre-seen

Draft your response to Martin's requests in the box below.

From: Senior Finance Manager
To: Martin Jacobs, Chief Finance Officer
Subject: RE: Battery factory

Reference Material Pre-seen

A month later, you receive the following email:

From: Martin Jacobs, Chief Finance Officer
To: Senior Finance Manager
Subject: FWD: Gavlonian factory

Hello,

I have forwarded an email from Andrey Prokhorov, our Production Director.

I need your advice on two matters:

- Firstly, evaluate the power and interest of the three main stakeholder groups who will be affected by the factory's location and design, as discussed in Andrey's email.

[sub-task (a) = 40%]

- Secondly, evaluate the arguments for and against funding the cost of building the factory by borrowing the required P$800 million in G$ from a Gavlonian bank.

[sub-task (b) = 60%]

Regards

Martin

The email referred to by Martin can be viewed by clicking on the Reference Material button above.

From: Andrey Prokhorov, Production Director
To: Martin Jacobs, Chief Finance Officer
Subject: Gavlonian factory

Hello Martin,

I have made some initial enquiries concerning the construction of a battery factory in Gavlonia. There are two potential sites that are close to the larger of the two mines that we own in the country. One would offer more room and greater capacity, but it would also require additional investment in infrastructure to ensure adequate road access for deliveries of parts and materials and for despatches.

The factory's design depends heavily on the production capacity that we require. A larger building would allow for more equipment and would create scope for expansion. A larger building will cost more to operate because of the need for lighting and ventilation in Gavlonia's hot climate.

We also need to consider the level of integration between the factory and the lithium processing plant, which has implications for the level of automation. It would be possible to install a conveyor belt system that would carry lithium from the processing plant to the factory. Alternatively, we could use trucks to move lithium.

The batteries would be exported to electric vehicle manufacturers in other countries. At present, all of the lithium mined in Gavlonia is exported as a raw material.

I expect that our factory will cost P$800 million to construct.

Regards

Andrey

Reference Material Pre-seen

Draft your response to Martin's requests in the box below.

From: Senior Finance Manager
To: Martin Jacobs, Chief Finance Officer
Subject: FWD: RE: Gavlonian factory

Paragraph

Reference Material Pre-seen

Six months later, Rotomyne purchased a plot of land in Gavlonia that would be a suitable site for a battery factory. Martin Jacobs asks you to join him in his office:

"I have brought you an extract from the minutes of this morning's Board meeting.

I need your advice on two matters:

- Firstly, evaluate the ethical implications of Rotomyne agreeing to provide the hospital.

[sub-task (a) = 50%]

- Secondly, recommend with reasons the work that Rotomyne's Internal Audit Department could undertake in order to establish whether bribes are being paid to facilitate the construction of the battery factory."

[sub-task (b) = 50%]

The extract referred to by Martin can be viewed by clicking on the Reference Material button above.

Extract from Board minutes
Battery factory

Andrey Prokhorov, Production Director, informed the Board that the land for the new Gavlonian factory had been purchased. Permission to build the factory was obtained before the land was purchased. It has, however, been impossible to start construction.

The factory site is in a region that is controlled by a prominent Gavlonian politician. The politician has ordered government officials to withdraw permission for building work on the site unless Rotomyne agrees to build a small public hospital in a nearby town. The hospital would cost P$25 million and would be staffed by the Gavlonian Health Service.

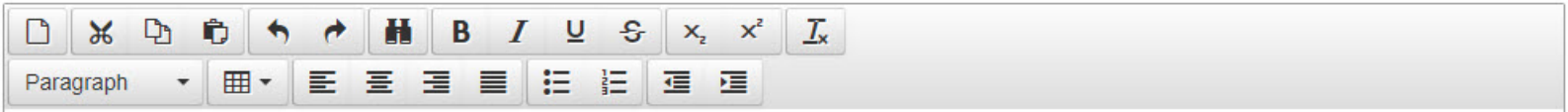
Rotomyne has based a senior manager in Gavlonia to supervise building operations. Staff at the Porrlandian Embassy have advised the manager that the politician is not seeking personal gain and that he really wishes a hospital to be built for the benefit of the local population.

Embassy staff have warned Rotomyne's manager that it is relatively common for foreign companies that are attempting to establish themselves in Gavlonia to be asked for bribes. The Embassy advises refusing to pay because bribery is illegal. That can, however, delay progress on any project.

The cost of the factory has been budgeted at P$800 million.

Reference Material Pre-seen

Draft your response to Martin's requests in the box below.



Thank you for completing the Strategic Case Study Exam.

Before you leave, don't forget to collect your printed confirmation of attendance.

Please click the End Exam (E) button before leaving the testing room quietly.

Strategic Case Study Exam

Maximum Time Allowed: 3 Hours

Welcome, Candidate Name

If this is not your name, please let your administrator know.

Click **Next** to start the test.

This examination is structured as follows:

Section number	Time for section (minutes)	Number of tasks	Number of sub-task/s	% time to spend on each sub-task
1	60	1	2	(a) 60% (b) 40%
2	60	1	2	(a) 50% (b) 50%
3	60	1	2	(a) 60% (b) 40%

Each section (task) has a number of sub-tasks. An indication of how much of the time available for the section that you should allocate to planning and writing your answer is shown against each sub-task in the text of the question (and summarised in the table above).

This information will be available for you to access during the examination by clicking on the Pre-seen button.

Reference Material Pre-seen

Martin Jacobs, Chief Finance Officer (CFO), asks you to meet with him in his office:

"I have brought you an extract from this morning's Board meeting.

The Board wishes me to expand on some of the issues arising from my presentation.

I need your advice on two matters:

- Firstly, identify and evaluate the challenges associated with understanding the economic risks faced by Rotomyne in relation to currency fluctuations.

[sub-task (a) = 60%]

- Secondly, evaluate the arguments for and against accepting economic risks rather than mitigating them."

[sub-task (b) = 40%]

The extract referred to by Martin can be viewed by clicking on the Reference Material button above.

Extract from Board minutes

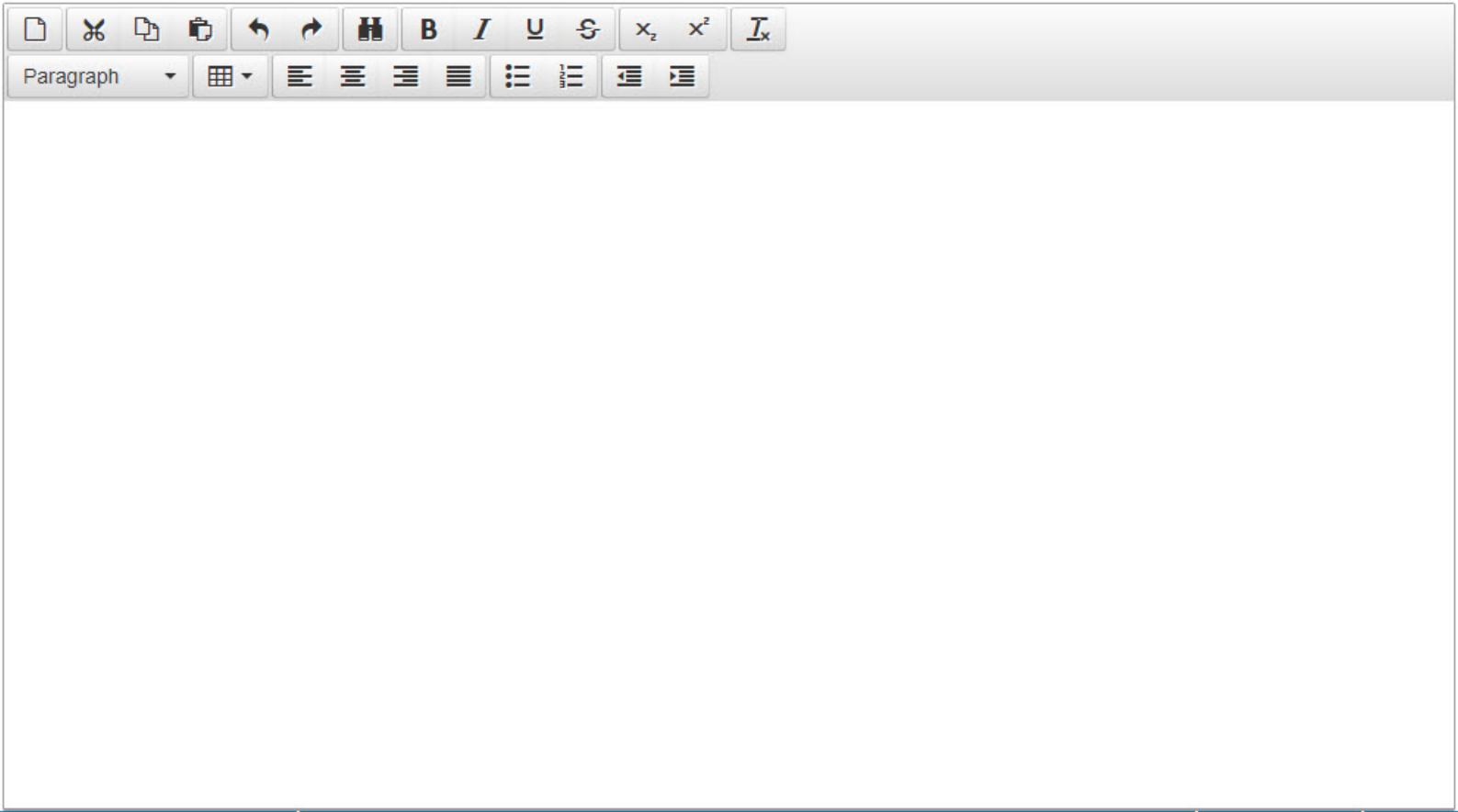
Currency exposures

Martin Jacobs, CFO, made a presentation to the Board in relation to economic risks arising from currency fluctuations:

- 41% of Rotomyne's sales revenue is from battery grade lithium compounds sold to electric car manufacturers in Savvland, whose currency is the S$. Savvland is home to manufacturers who produce 35% of the world's electric cars.
- 6% of Rotomyne's sales revenue is from the sale of high purity lithium metal that is sold to aircraft manufacturers in several countries.
- The remainder of Rotomyne's sales revenue comes from sales of different products that are sold in a total of 90 countries.
- Rotomyne's products are mined in a total of six countries. Extraction costs are relatively small in relation to selling prices.
- Lithium is mined in many different countries. Rotomyne's rivals sell very similar products.

Reference Material Pre-seen

Draft your response to Martin's requests in the box below.



Reference Material Pre-seen

A week later, you receive the following email:

From: Martin Jacobs, Chief Finance Officer
To: Senior Finance Manager
Subject: FWD: Currency risk

Hello,

I am forwarding an email that I received from Iresh Jayawardena, Non-Executive Chair.

I need your advice on two matters:

- Firstly, explain whether Rotomyne's exposure to currency risks is likely to have an impact on the company's beta coefficient.

[sub-task (a) = 50%]

- Secondly, evaluate the advantages and disadvantages of expanding Rotomyne's Board to include an executive director responsible for treasury management.

[sub-task (b) = 50%]

Regards

Martin

The email referred to by Martin can be viewed by clicking on the Reference Material button above.

From: Iresh Jayawardena, Non-Executive Chair
To: Martin Jacobs, Chief Finance Officer
Subject: Currency risk

Hello Martin,

I have been thinking about your presentation on economic risk. I will be grateful if we could meet soon to discuss some of the matters arising from it.

Rotomyne's beta is 1.63. That is rather high. I am confused as to whether that could be attributed to the impact of currency risk on Rotomyne's performance. For example, 41% of our revenue is earned in S$ and we incurred a significant loss on our currency reserve of P$221 million during the year ended 30 September 2024.

Rotomyne has a strong Treasury Department that is well resourced. I wonder whether more could be done to support the Department at Board level.

Regards

Iresh

Reference Material Pre-seen

Draft your response to Martin's requests in the box below.

From: Senior Finance Manager
To: Martin Jacobs, Chief Finance Officer
Subject: FWD: RE: Currency risk

Paragraph

Reference Material Pre-seen

A week later, Martin Jacobs stops by your workspace.

"I have brought you an article that has just gone online.

Given the Board's recent interest in currency risk, I think that we need to ensure that Rotomyne's Treasury Department is prepared to deal with the treasury risks that we face.

I need you to consider aspects of some scenarios that the Treasury Department might encounter:

- Firstly, using a scenario planning approach, recommend with reasons responses to each of the following scenarios:
  - The P$ strengthens against the S$, in which Rotomyne invoices 41% of its revenues.
  - Interest rates in Porrland increase significantly. Rotomyne has P$5 billion of variable rate borrowings.
  - The IT systems used by the Treasury Department to process payments have been disrupted.

[sub-task (a) = 60%]

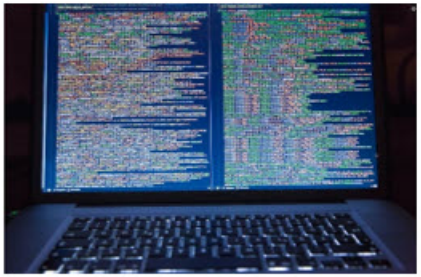
- Secondly, recommend with reasons whether or not Rotomyne should pay any ransom that is demanded by criminals who manage to encrypt our files using ransomware."

[sub-task (b) = 40%]

The article referred to by Martin can be viewed by clicking on the Reference Material button above.

Porrland Telegraph

Ransomware attack disrupts mining company



A ransomware attack has disrupted the treasury systems of Lithdig, a major miner and processor of lithium. Malware planted in Lithdig's systems has made it impossible for the company to process payments.

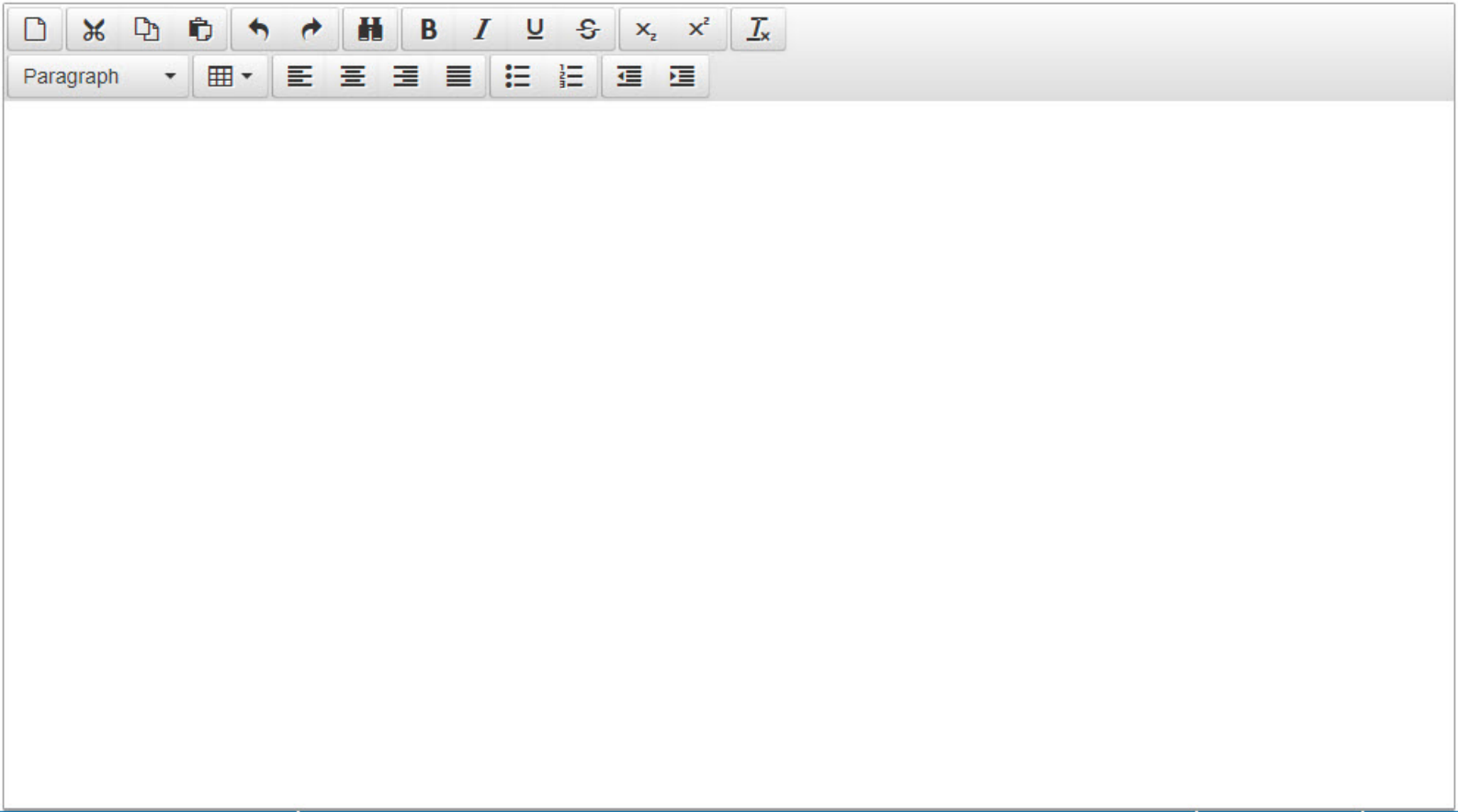
Lithdig reassured stakeholders that its IT experts, with support from police and external consultants, had acted quickly to contain the incident. It expected that all of its systems will be back online within 24 hours.

Ransomware is malware that encrypts data files, making it impossible for victims to access their own data. Hackers usually demand payment in return for decrypting the files.

Lithdig refused to comment on whether it would pay the ransom demanded by the criminals.

Reference Material Pre-seen

Draft your response to Martin's requests in the box below.



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AICPA & CIMA
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STRATEGIC CASE STUDY

NOVEMBER 2024 & FEBRUARY 2025

EXAM ANSWERS

Variant 1

These answers have been provided by CIMA for information purposes only. The answers created are indicative of a response that could be given by a good candidate. They are not to be considered exhaustive, and other appropriate relevant responses would receive credit.

CIMA will not accept challenges to these answers on the basis of academic judgement.

SECTION 1

Requirement 1 – Ecosystem

Rotomyne faces serious difficulty in predicting demand because its customers are themselves subject to complex market forces that are difficult to manage or even predict. The withdrawal of the ePintna brand suggests that it is difficult for car manufacturers to manage demand for electric cars, which makes it difficult for Rotomyne to predict demand for sales to its major customers. The car industry provides Rotomyne with a significant proportion of its sales revenue. Car manufacturers are not necessarily dependent on electric cars because they can continue to sell petrol and diesel cars, neither of which require lithium for batteries. There is little that Rotomyne could do as a raw material supplier to encourage car manufacturers to increase or even to maintain production of electric cars in the absence of consumer demand. There may also be conflicts between demand for Rotomyne's various products. Increasing sales of battery grade lithium could lead to a reduced demand for the high temperature grease used in engines.

The mining and processing of lithium can be affected by complex and potentially contradictory social and political pressures. Initial demand for electric cars was encouraged by the provision of government subsidies that encouraged consumers to buy those vehicles. The withdrawal of such subsidies has led to a reduction in demand. Consumers also appear to have been motivated by the ability of electric vehicles to reduce emissions, but that factor could be offset by the increasing pressure on drivers of electric cars because of the lack of charging facilities. Lithium producers can do very little to manage these pressures. Any attempt to lobby the government to reinstate subsidies is likely to fail because of the obvious self-interest. There is very little that lithium producers can do to address the concerns about the ranges of electric cars and the associated concerns about inadequate charging facilities.

In the long term, demand for lithium can be affected by changing technologies, which could lead to the replacement of lithium for some applications. For example, the expansion of wind and solar energy has created a demand for cost-effective battery arrays that can be used to store surplus electricity. In the short term, that has created additional demand for lithium, but has also led to pressure to create a cheaper alternative. It is possible that new materials will be developed that can be used instead of lithium in existing applications. Potential customers will have no particular need for lithium if a superior can be developed. Rotomyne should continue to invest resources in its research and training facility in the hope of maintaining lithium as a useful material for industrial use.

Lithium is a commodity that is extracted and processed in many locations around the world. It is difficult for Rotomyne to manage market prices. Rotomyne is a large enough supplier to be able to affect the market price per tonne of lithium, simply due to the laws of supply and demand. Rivals are unlikely to tolerate any attempt by Rotomyne to interfere with the market, and so Rotomyne should consider accepting market prices rather than attempting to control this aspect of its ecosystem. It may be possible for Rotomyne to complete on the basis of the quality of its service, aiming to be a reliable supplier. Even that could prove difficult because of the need to rely on third-party shipping companies to manage deliveries.

Requirement 2 – Scenario planning

Scenario planning will provide Rotomyne with contingency plans that should equip the company to address any continuing reduction in demand. These plans will be consistent with different levels of reduced demand and the circumstances that Rotomyne finds itself in. That is particularly important given that the company owns and operates three traditional brine mines. These mines take 18 months to process each batch of brine, which makes it impossible to adjust output from these mines because of the delays inherent in the evaporation process. Contingency plans are important because any changes in output will have to be directed at the company's hard rock mines.

Scenario planning will assist managers to communicate effectively because plans are being developed before they are actually needed and before decisions have to be made urgently. Making plans at an early stage will avoid the risks associated with making decisions under pressure. For example, time can be taken to consider issues raised by different departments. Allowing time for reasoned discussion and debate will reduce the risk of dysfunctional behaviour by different departments. If it becomes necessary to implement a plan developed during the scenario planning exercise, then it can be reviewed and adjusted to fit the precise circumstances that Rotomyne finds itself in.

Forcing managers to plan for this eventuality will reduce the likelihood of them becoming complacent about the possibility of demand falling for a prolonged period. Analysing market data and other information will help them to consider the reality of Rotomyne's future prospects and so they will be better prepared if demand continues to fall without any sign of a reversal. The fact that there are plans in place will also maintain morale in the event that the anticipated problem arises. Managers will be

reassured by the fact that plans are in place and so they will be less inclined to overreact, perhaps by moving to a different employer.

SECTION 2

Requirement 1 – Risk mitigation

Monitoring the lithium market implies that Rotomyne may be aware of market changes after they have occurred, but that will not necessarily enable the company to predict changes in the demand or pricing of lithium. Demand for lithium is driven by the underlying demand for the products that require lithium in their manufacture. Studying historical trends in the lithium market may be less efficient as a forecasting strategy than in attempting to predict demand for, say, electric vehicles.

Analysing the market in lithium futures would be a practical way to predict changes in demand for lithium. If battery manufacturers are buying futures, then that would suggest that they intend to buy large quantities of lithium and they wish to protect themselves against price rises. Sales of futures could suggest that the sellers are confident that there will be a fall in prices. That confidence could be mistaken, but it could also suggest that the sellers are in possession of information that could indicate an increased risk of a decrease in prices.

Changes in the supply of lithium could have an impact on market prices. There is a constant risk that other lithium mining companies will distort selling prices. Rotomyne is one of at least four mining companies that has the capacity to increase production to the extent that market prices will decrease. It is difficult to know how Rotomyne might use any prediction that a major rival will increase output. The only real response would be for Rotomyne to increase its own output in the hope of forcing agreements for all companies to return to an equilibrium position.

Maintaining a close relationship with customers might reduce the impact of a downturn in demand for lithium, at least to a certain extent. Customers will, hopefully, continue to buy lithium from Rotomyne, even if the quantities are reduced. If Rotomyne provides a reliable service, then it might encourage customers to give the company all of their business. This may be an effective form of mitigation because Rotomyne cannot differentiate itself on the basis of the products that it sells. Lithium is a generic commodity.

It would be important to offer a reliable service while demand is strong because any downturn in demand for lithium could put suppliers such as Rotomyne under pressure. If customers have concerns about Rotomyne when the industry is operating normally, then they will be even more concerned if the industry is facing pressure.

It may be difficult for Rotomyne to develop a meaningful relationship with customers that would affect their buying decisions. Customers are likely to buy commodity products such as lithium largely on the basis of price. If market prices decrease, then Rotomyne will have to reduce its prices in order to retain this business, regardless of its reputation.

Having a reputation for reliable delivery is important, but it is unlikely that many of Rotomyne's competitors will have a reputation for being unreliable. The nature of the business makes it important to treat customers well. Rotomyne is more likely to retain customers on the basis of factors such as the location of mines and the associated delivery cost of fulfilling orders.

Requirement 2 – Risk ownership

It could be argued that the volatility in the demand for lithium is a strategic matter and so it would be desirable for the Board to take direct responsibility for its management. The Board has the authority to increase or decrease production at hard rock mines or to adjust the quantities of brine being transferred to evaporation ponds. These decisions can be made more rapidly if the Board has control of the risk, rather than a senior manager having to make a recommendation and brief the Board.

The Board is in a position to address large fluctuations in demand by negotiating with the boards of major customers in order to seek mutually desirable responses. For example, if demand for electric vehicles increases, then Rotomyne's Board could offer car manufacturers discounts in return for increasing their orders rather than supplementing their purchases by buying from rival mining companies. The Board is in a better position than Rotomyne's Senior Management Team to negotiate strategic responses to this risk. Customers' buyers know that the Board has the authority to negotiate acceptable responses.

From a governance point of view, the fact that the Board is responsible for managing this risk could be reassuring to shareholders. Rotomyne sells a limited range of lithium products that depend on demand for customers in other industries, such as pharmaceuticals, for their markets. Having the Board accept direct responsibility for volatility in demand will reassure shareholders that strategic responses are being considered. For example, the Board could authorise the purchase of mines from which alternative minerals can be extracted.

It could be argued that monitoring and managing lithium markets would distract the Board from their responsibilities for oversight of other strategic risks. It would probably be more efficient for the Board to appoint a senior manager to take responsibility for analysing data relating to the lithium market. That manager could be given specific instructions about the circumstances in which the Board should be consulted over the response to any expected risk.

It could be argued that Board members do not necessarily have the necessary technical skills to appreciate and respond to the risks of market fluctuations. It could be more relevant and effective to appoint, say, an economist with an understanding of the mining industry to address this risk and to advise the Board as necessary.

Assigning responsibility for this risk to the Board as a whole means that no individual director will be responsible for its management. There is a danger that Board members will focus on their specific areas of responsibility, such as production or finance, and will overlook the volatility of demand. It would be more effective to make, say, the Marketing Director responsible for predicting and managing fluctuations in demand.

SECTION 3

Requirement 1 – Dividend

It appears that Rotomyne's Board has attempted to maintain shareholder wealth, in the form of market capitalisation, by continuing to increase dividends by 3% per annum. If the company has offered consistent growth in dividends, then it seems realistic to expect that the share price will reflect market expectations of continuing growth of 3% per annum. If so, maintaining that growth will help to maximise shareholder wealth. It is realistic to expect the share price to be consistent with the dividend growth model. If that is the case, then any failure to maintain that growth could be expected to lead to a decrease in the share price. It is also realistic to expect shareholders to have taken their tax circumstances into account when investing in Rotomyne and for them to prefer dividends over capital growth. If the company fails to maintain dividends, then some shareholders might adjust their portfolios in search for dividends and that could put the share price under pressure because of sales.

Rotomyne's circumstances may make it unrealistic to maintain dividend growth. Maintaining growth in the short term may not necessarily maintain the share price. Rotomyne's operating profit decreased by 18% in the most recent accounting period for which financial statements are available. That is likely to affect the share price unless the directors can communicate that the decrease is temporary. One way to demonstrate that the directors are confident in their ability to restore earnings would be for them to continue to pay the dividend. The directors face serious penalties if they pay more in dividend than the company can really afford and so the shareholders should be impressed by the fact that they have committed their careers and reputations in this way. On the other hand, the directors may be accused of recklessness in the payment of this large dividend, especially if the shareholders do not believe that the company can afford to maintain its dividend. If the capital markets are efficient, then the share price will reflect all available information and so the markets may not necessarily accept the Board's assurances at face value.

The shareholders are likely to consider Rotomyne's position in relation to the rest of the industry. Lithdig's operating profit decreased by 16%, which is comparable to Rotomyne's decrease. That tends to confirm that the overall demand for lithium has decreased and that lithium producers cannot necessarily maintain dividends. Lithdig's most recent dividend was roughly 50% of its profit for the year, which is a much lower percentage than Rotomyne's. That does not necessarily mean that Rotomyne's dividend policy is reckless, but the market might tend to be concerned that it is distributing a much greater proportion of its profits than a close rival. Shareholders could be concerned that Lithdig's directors are far less confident in the industry's prospects.

Committing to a consistent rate of dividend growth could quickly become unsustainable because the rate compounds. The 3% annual growth over the past 5 years has increased dividends by a total of 16% since the start of that period.

There is further concern that the volatility in profit could mean that Rotomyne is retaining little or no equity in order to finance future growth. For the year ended 30 September 2024, the company paid an increased dividend despite the decrease in profit. Sticking rigidly to the dividend policy could lead to dividends being funded from retained earnings and the gearing ratio increasing. Large dividend payments could start to deplete cash and so affect the company's liquidity. Rotomyne could be forced to borrow in order to raise cash for dividend payments, which could lead to an increase in gearing.

Requirement 2 – Exit strategy

Any divestment strategy is complicated by the fact that each mine represents roughly one ninth of Rotomyne's total capacity. The sale of even one mine represents a serious contraction of the business, which could be viewed as a strong negative signal by customers and by the capital markets. The difficulties associated with acquiring new mines and the associated permission to start mining in new locations mean that Rotomyne will find it difficult and possibly impossible to restore the lost capacity. Rival mining companies will be unlikely to sell mines if demand for lithium increases and Rotomyne wishes to restore its lost capacity. Any mines that are available for sale are likely to be overpriced, if only to justify the disposal of additional capacity to a rival. Demand for lithium is volatile, but the material is used for a variety of purposes and so it is reasonable to expect the market to recover in time, particularly if a new use emerges, such as the use of rechargeable batteries to store surplus electricity from wind and solar power stations.

Rotomyne is presently one of the four largest lithium mining companies. It has the capacity to influence market prices because of its market share. Any loss of capacity will either provide the other three members of the top four with additional power or it may close the gap with smaller mining companies. In either case, the company will suffer a loss of prestige, which could have implications for managing larger customers. The loss could also have an impact on transportation costs associated with servicing some customers. Selling a mine to a rival could make it more expensive to deliver lithium to the customers that the divested mine previously served. The new owner might be able to undercut Rotomyne and win those customers.

Divestment could lead to lost opportunities. For example, traditional brine mines could be modified to enable the operation of direct lithium extraction. That would address concerns about volatility of demand by allowing lithium to be extracted from brine with a lead time of a few days rather than 18 months as at present. Divesting mines is complicated by the fact that lithium is Rotomyne's only product. It is difficult to know what the company would do with the funds that have been released from any divestment. It might be necessary for the proceeds of any disposal to be paid to the shareholders as a dividend or share repurchase.

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STRATEGIC CASE STUDY

NOVEMBER 2024 & FEBRUARY 2025

EXAM ANSWERS

Variant 2

These answers have been provided by CIMA© for information purposes only. The answers created are indicative of a response that could be given by a good candidate. They are not to be considered exhaustive, and other appropriate relevant responses would receive credit.

CIMA will not accept challenges to these answers on the basis of academic judgement.

SECTION 1

Requirement 1 – Stakeholder analysis

The starting point would be to identify stakeholders whose interests conflict with Rotomyne's. That will identify stakeholders who have a motive to harm the company. The cyber-attack was a criminal offence, so the perpetrator must have had a reason for committing that crime and risking prosecution.

The Head of Security could start by listing the stakeholders who might have benefitted from the damage caused by the release of brine. Environmental campaigners have complained about the damage that Rotomyne has caused in that area. Causing a serious flood of dangerous chemicals will alert the local population to the dangers associated with living close to a lithium mine and could lead to a tightening of regulations. Other stakeholders will include the fruit farmers who may face a shortage of water because of the mine's consumption. They could be motivated by the desire to have the mine closed and so increase the availability of fresh water. Some stakeholders could be less obvious. For example, the attack might have been motivated by a desire for revenge. A former employee who had been dismissed for misconduct or a continuing employee who had been passed over for promotion could have perpetrated the attack out of spite.

The relative power of the stakeholders would also be helpful in narrowing down the list of potential attackers. Stakeholders with high power in relation to Rotomyne would not have to risk criminal prosecution in order to attack the company. For example, the interests of rival mining companies' conflict with Rotomyne's, but they can compete by reducing prices or improving their customer service. That would be a more effective way to benefit at Rotomyne's cost than taking the risks associated with a cyber-attack.

Stakeholders with low power might be under greater pressure to resort to desperate acts in order to respond to the threat posed by Rotomyne. It is unlikely that an employee who has been dismissed for alleged misconduct will have the resources to battle Rotomyne in the courts and so a cyberattack may be the only effective action that is available. It should, of course, be borne in mind that this type of analysis can only assist the Head of Security to identify possible suspects. It would be reckless to assume that any are guilty just because a motive can be inferred.

Requirement 2 – Share price

There is an immediate priority for Rotomyne to demonstrate that it is addressing the aftermath of the attack. Otherwise, the capital markets will be concerned that the company will suffer significant reputational damage. It would be sensible for the CEO to lead a group of senior managers to the site of the flood and to support the efforts of local emergency services and other relief efforts. Acting quickly to provide equipment and technical expertise from the mine would also be beneficial. If the Board's immediate response is inadequate or mismanaged, then the shareholders will lack confidence in the directors' competence. An appropriate reaction in the first instance will at least reassure the shareholders that the company is able to avoid the serious pitfalls that can occur in the immediate aftermath of a disaster.

The directors should take whatever actions are necessary to reassure the capital markets that the problem has been contained. Rotomyne has another two traditional brine mines that are, presumably, at risk of a similar cyber-attack. It would be sensible to take those mines offline immediately, even at the expense of lost production. The company can then announce that there is no danger of flooding at those sites while the systems are being checked for malware. Once the checks have been completed, the company should release a statement that the systems have been checked thoroughly and will continue to be monitored to prevent any further damage. These assurances will be more convincing if the manner in which the Menrodian attack was carried out can be identified.

Rotomyne should work with the Menrodian Government to develop a plan for the ongoing response to the flooding. Those plans should be announced to the public if possible. Dealing with the flood will undoubtedly be expensive. It would be preferable to keep the market informed about the likely cost rather than to have the share price depressed by uncertainty as to the amount. The extent to which this cost is insured should also be made clear, in the interests of keeping the shareholders informed of the net cost to the company. The shareholders will wish to have the net cost minimised, but only to the extent that is consistent with good business practice. Ongoing conflicts over the repairs and cleanup will only distract the Board from more important tasks, such as returning the mine to full production.

Rotomyne should work closely with its insurers to make the earliest possible start on clearing up the damage caused by the flood. Rotomyne should demonstrate its commitment to resolving this matter as quickly as possible, even if it means bearing some costs itself.

The capital markets may be concerned that any undue delays in restoring farms and residential areas will cause conflict with the Menrodian Government over licensing and operation of its mine. The markets could also be concerned about the wider implications in the operation of the other mines if Rotomyne does not maintain its reputation as a good citizen. The Board should adopt a positive attitude to clear up the damage that resulted from the cyber-attack, accepting responsibility for the systems' weaknesses that led to the problem.

Forcing managers to plan for this eventuality will reduce the likelihood of them becoming complacent about the possibility of demand falling for a prolonged period. Analysing market data and other information will help them to consider the reality of Rotomyne's future prospects and so they will be better prepared if demand continues to fall without any sign of a reversal. The fact that there are plans in place will also maintain morale in the event that the anticipated problem arises. Managers will be reassured by the fact that plans are in place and so they will be less inclined to overreact, perhaps by moving to a different employer.

SECTION 2

Requirement 1 – Digital security

The Board is responsible for everything that happens at Rotomyne, including the design and operation of control systems. The Board should set realistic objectives for security that take account of the level of threat and the cost of reducing that threat to a tolerable level. The Board should engage with the company's experts in IT Security in order to obtain an understanding of the choices and decisions that have to be made. The Board should make sure that the IT Security staff are provided with the resources that they need, whether in terms of staffing, hardware or software, in order to ensure that security reaches the desired level. The Board should consider commissioning an external review by a consulting firm to ensure that Rotomyne's systems are properly designed. Alternatively, the IT Security staff should be required to undertake ongoing professional development to ensure that they remain up to date.

The concerns expressed by the Head of Security that IT Security staff are all relatively junior should be addressed as a matter of some urgency. One of the executive directors should be made responsible for liaising with the manager in charge of IT Security. That director need not have any particular expertise in IT but should be available to discuss any emerging issues that require a strategic response. For example, if there is a further cyber-attack, then the director could be responsible for allocating the necessary resources and authorising expenditure in relation to the need for investigation. It may also be necessary to appoint a more senior manager to take charge of IT Security, partly in order to support the Board more effectively and partly to ensure that this function is taken seriously. Alternatively, the Head of Security could possibly be put in overall charge of IT Security. That would reduce the risk of vulnerabilities being overlooked because of any confusion over whether they are IT-related or more general security concerns.

The Audit Committee should discuss IT Security on a regular basis, perhaps annually. That discussion should be at a strategic level and should focus on ensuring that objectives are up-to-date. The Audit Committee's remit should provide it with an understanding of control systems and the risks that they are designed to address. The fact that the committee's members are non-executives will give them greater freedom to ensure that systems are appropriate, regardless of their cost and any inconvenience that they might cause. The discussion could be informed by a presentation from Rotomyne's Head of Security, with technical support from IT Security staff. The discussion should focus on the evolving security risks and the increasing capabilities of systems that are designed to enhance IT Security.

The Board should pay close attention to all Internal Audit reports, particularly those that identify compliance errors. The directors should demonstrate their interest in compliance by seeking an explanation for any failures, particularly if they can be attributed to slack supervision or carelessness by a member of the management team.

It is important that staff at all levels believe that they must comply with all controls and that there will be consequences for them if they fail to do so. If they are not motivated in this way, then short cuts will be taken. The Internal Audit Department will also be demotivated if its reports are not taken seriously. The Board should not single out IT controls in responding to audit reports. It will be more effective to make it clear that all formal procedures must be adhered to.

Requirement 2 – Political risks

Rotomyne should consider the implications of the flooding for the Menrodian Government. The political risks will be affected by the government's need to be accountable to the country's electorate. The fact that the country is developed could mean that the economy is not heavily dependent on revenue from Rotomyne or for jobs at the company's mine. The government might feel that it has to take stern action against Rotomyne in order to demonstrate its support for the community that was affected by the cyber-attack. Rotomyne should identify and quantify the ways in which it contributes to the Menrodian economy. At the very least, it will provide employment and pay tax and those benefits might be lost, at least temporarily, if it is forced out of business. It may be that there are Menrodian businesses who use lithium in manufacturing and who rely on Rotomyne's mine for their supply. Switching to alternative sources could be expensive if it increases transportation costs. Care should be taken to avoid making any public statement of the need for the government to support Rotomyne, otherwise the government could be put under pressure from the media to take decisive action.

Political risks could also arise because of the response of the Menrodian population to these events. Individuals who take an interest in safeguarding the environment or those who have some sympathy with the local community could press the government for action against Rotomyne. It is important that Rotomyne does everything that is possible to avoid antagonising the public and increasing the likelihood of it demanding action. Rotomyne should take ownership of the damage that has occurred, even though it was not responsible for the criminal action that released the brine. The company is experienced at transporting and processing brine safely and so it should be capable of assisting with cleaning up the spillage and advising the emergency services on the risks to health of exposure to any remaining residue. Providing such support will create positive publicity for Rotomyne and will reduce the likelihood of any protests or other actions. Rotomyne should, however, plan proportionate responses for addressing any protests. For example, if campaigners block the roads leading to the mine, then Rotomyne should suspect operations rather than risk injuries by forcing a way through.

SECTION 3

Requirement 1 – Controls

The Control Room Supervisor should remain in place at all times until replaced at the end of his or her shift. It is important that an experienced and qualified member of staff should be aware of everything that occurs in the control room. It is unacceptable to leave junior operators in charge and unsupervised. In this case, they were easily tricked into permitting the intruder to access their network by connecting a cable. The handover process should be conducted in the control room itself, so that any briefing points can be checked in relation to instrument readings and control logs. It seems likely that the intruder responsible for this breach timed the intrusion deliberately to take advantage of slack supervision at the time of the shift change.

Devices should never be connected to network hardware without the explicit authorisation of Rotomyne's IT Department. Neither staff nor third parties should be permitted to connect any form of laptop, tablet or external drive to the system. Ideally, all ports should be secured so that they cannot be reached physically. It appears that the control room does not have external connections to the internet, which is a significant protection against malware or other forms of hacking, otherwise the intruder would not have had to risk entering the facility. That safeguard was circumvented by control room staff permitting the intruder to plug his laptop into a terminal.

Access to the control room should be restricted so that it cannot be accessed by unauthorised personnel, either third parties or Rotomyne employees other than control room staff. It appears that the intruder was able to enter the mine, park in the car park and make his way into the control room. Entry to the control room should be restricted, perhaps by swipe cards or pin numbers on electronic locks. Visitors to the mine who require access to the control room should always be escorted by a member of security staff.

Access to the mine should be restricted to genuine visitors. Any member of staff who is expecting a visitor should provide the security staff with that visitor's details. Staff should be responsible for checking that visitors are legitimate, for example, by arranging their visits through visitors' employers. The reason for their visits should also be credible, such as a known need to maintain an item of equipment. Visitors should be issued with temporary visitors' passes that must be displayed at all times. These passes should include a photograph, partly to enhance security and partly to discourage impostors from seeking entry.

Requirement 2 – Internal audit

The Internal Audit Department could conduct visits to the control room on a random basis, with checks made to ensure that it is properly staffed and supervised.

Those visits could be supplemented by making telephone calls to the control room to check that the supervisor is present and can come to the phone.

The audit staff can check for registers that log the time of arrival and departure of supervisors to ensure that there are no gaps in supervision at shift changes. The audit staff can also ask the open-ended question of the junior operators to seek confirmation that they are never left unsupervised. For example, they could be asked

to describe their responses to problems that occurred during the supervisor's absence.

Internal Audit staff should check whether any devices are plugged into control room monitors or other equipment. They should ask for an explanation for any items that appear to be plugged in without authorisation, such as a tablet computer. They could photograph any such connections and could seek confirmation from the IT Department that the connection appears to be legitimate. The internal audit should check that any access hatched that permit ports to be used are locked and that the keys are properly secured.

Internal Audit staff should attempt to access the control room to ensure that all security systems are in place and appear to be effective. For example, all doors should be closed and locked at the time of the visit. The auditor should ask security staff to describe the security procedures in place with respect to the control room. That description should confirm that security staff have been briefed on the safeguards and are putting them into effect. The auditor should also ask operations staff who interact with control room staff to explain how often they visit the control room and whether they find security to be a hindrance. Seeking confirmation from different members of staff will give the auditor a more reliable impression of the extent to which responses are truthful.

Internal Audit staff should review the list of authorised visitors at the security gate to check that there appears to be a comprehensive list that is kept up-to-date. The auditor should note whether any visitors they encounter are wearing Rotomyne visitor passes. The names of those visitors should also be checked to the lists held by the security staff. If the opportunity presents itself, the Internal Audit staff should try to observe mine staff contacting visitors' employers by phone or email to confirm that they are taking reasonable steps to confirm that their reasons for visiting the mine are valid.

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STRATEGIC CASE STUDY

NOVEMBER 2024 & FEBRUARY 2025

EXAM ANSWERS

Variant 3

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SECTION 1

Requirement 1 – Stakeholders

Stakeholders' response to this lack of transparency will vary according to their interest in Rotomyne's impact on the environment. Some stakeholders will have no direct interest in published disclosures in relation to climate change because they are not directly relevant to their relationship with the company. For example, government tax authorities will not be interested in these disclosures because they will have no bearing on the amount of tax that Rotomyne must pay. Stakeholder interests may also have an impact on their need for voluntary disclosures. For example, the government does not need to rely on voluntary disclosures because it can require companies to provide information and conduct inspections.

Some stakeholders have a direct interest in Rotomyne's disclosures. For example, environmental campaigners will use the information provided by companies that have an impact on the depletion of non-renewable resources to evaluate the sustainability of their operations. Those disclosures will be used to evaluate and assess the behaviour of companies and, in particular, their impact on the environment. The level of transparency is of significant interest to those stakeholders. It is to hoped that companies who accept responsibility for their actions will take greater care to minimise their impact. Stakeholders may also argue that companies who are not transparent have something to hide.

Stakeholders' responses will also vary according to their power, in relation to their ability to select alternatives. For example, customers who buy lithium may be concerned that they are open to criticism if they are not taking care to manage the sustainability of their supply chain. Manufacturers of electric vehicles may be nervous about doing business with Rotomyne if it appears to be secretive about emissions and other environmental issues. Rival lithium mining companies can be seen to be more open and transparent and so manufacturers might feel more comfortable about using them to supply their lithium.

Other stakeholders may be forced to tolerate a lack of transparency, even if they have a significant interest. For example, employees will have an interest in health and safety issues associated with working for Rotomyne, but their response will depend on their ability to choose alternative employment. Employees may be discouraged from working for Rotomyne if the company is secretive about its impact on the environment, but they may be unable to respond to such concerns if there are limited alternatives to working for the company. If Rotomyne is the only major employer in a remote area or in a developing country, then employees may have little power.

Requirement 2 – Share price

If capital markets are efficient, then share prices will reflect all the information that is available to the market. Any lack of transparency could lead to market participants making assumptions about the facts that have been withheld. Those assumptions will reflect the agency issues and any other concerns that might arise from the fact that Rotomyne has chosen to withhold information that other companies have chosen to disclose. The fact that Rotomyne has decided to make fewer disclosures than its direct rivals could be interpreted as a desire to withhold facts that would have a negative impact on its share price if they were published. The assumptions made by market participants could be pessimistic and so the share price could be even lower than it would be if the facts were disclosed. It could be that matching or exceeding rivals in terms of disclosure would actually cause Rotomyne's share price to increase, even if the company is performing badly in relation to the industry average.

Share prices are related to the anticipated net cash flows associated with operations. The capital markets will not be concerned about a lack of disclosure on matters that will have no impact on cash flows. It has been argued that lithium mining can damage the environment because of the emissions and consumption of fresh water that are associated with its extraction and processing. Environmental campaigners could criticise Rotomyne's decision to withhold information and might accuse the company of having something to hide, but any such accusations might not concern the capital markets. The criticism would not necessarily have any effect on the share price unless it affected cash flows. The capital markets might, for example, be concerned that Rotomyne's decision to withhold disclosures from pressure groups could lead to protests that could affect its operations.

Rotomyne's cash flows could suffer if it loses business because of concerns about its environmental performance. For example, manufacturers of electric vehicles often argue that their cars cause less damage to the environment than petrol-driven alternatives. Those manufacturers could be reluctant to purchase lithium from a mining company that has a poor record for sustainability. Rotomyne's poor disclosure might cost it sales revenue. The markets can, however, see that Rotomyne makes substantial sales. Furthermore, the company might identify the major manufacturers that it supplies.

There is nothing to prevent Rotomyne from providing its customers with private assurances concerning its impact on the environment, which could then be inferred by the capital markets through Rotomyne's continuing ability to sign sales contracts.

Some capital market participants adopt an “ethical” approach to the selection of investments for their portfolios. If Rotomyne risks damaging its reputation by withholding information about its environmental performance, then it could discourage a number of both individuals and institutional investors from buying its shares. That might not necessarily have an impact on its share price because there are plenty of investors who would be prepared to invest in companies that have weak performance in that area. There could, however, be a temporary downturn in the share price if emerging concerns about Rotomyne’s environmental disclosures led to a number of investors divesting themselves of the company’s shares. In the short term, the sales would imply that the company had a problem and so the market price could be depressed in the short term.

SECTION 2

Requirement 1 – Making disclosures

The suitability criterion's relevance depends on the extent to which making this additional disclosure fits with Rotomyne's strategy. Rotomyne is one of the largest lithium mining companies, but it is currently demonstrating a lack of transparency with regard to managing its impact on climate change. Rotomyne's mission statement specifically refers to sustainability in the context of powering consumers' lives and so it could be argued that the company should hold itself accountable for its performance in relation to its mission.

Rotomyne operates six hard rock mines. This source of lithium is particularly damaging with regard to climate change because they produce more carbon dioxide emissions than the alternatives of brine mining and direct lithium extraction. If consumers are considering buying an electric car in order to reduce their carbon emissions, then they are entitled to know how the lithium in their batteries was sourced. Rotomyne is presenting itself as a responsible supplier of lithium for batteries, so it should be willing to inform stakeholders about its impact on global warming.

The acceptability criterion's relevance depends on the extent to which making this additional disclosure would fit with the interests of stakeholders. The need to be held accountable is complicated by the fact that those stakeholders who can exert economic influence over Rotomyne have not applied sufficient pressure to motivate the company to enhance its disclosures. For example, customers are willing to buy lithium from Rotomyne despite the fact that it offers poorer disclosures than its immediate rivals. Customers do not appear to be concerned that the lack of disclosure makes it more difficult to support claims that they are responsible manufacturers who take care over the impact of their supply chain on climate change.

Lithium is associated with providing power for electric vehicles, which appears to be sufficient to encourage stakeholders to ignore the impact of lithium mining on climate change. Rotomyne's stakeholders do not appear to be concerned about the company's willingness to accept responsibility for its carbon emissions.

The feasibility criterion's relevance depends on the extent to which it would be practical to offer credible disclosures. This does not appear to be a problem because Rotomyne's poor disclosure has been determined by comparing its disclosures in relation to other companies. The fact that rival lithium miners can offer more detailed disclosure is sufficient to demonstrate that it is possible to enhance disclosures in relation to climate change.

Rotomyne's poor ranking has been determined in relation to a lack of compliance with recommendations for reporting, as published by a leading environmental organisation. It seems unlikely that such an organisation would recommend disclosures that cannot be made in a clear and objective manner.

Requirement 2 – Board remuneration

Generally, remuneration schemes reward directors for delivering profits and returns on equity investments. Directors have no incentive to manage their impact on climate change, beyond ensuring that they are not penalised for breaking the law. Linking remuneration to managing climate change will give them an incentive to consider the impact of their decisions on emissions and other factors that can cause global warming. Responsible business practices often require companies to incur greater costs or to forego opportunities to earn profits, which may give directors an incentive to choose a harmful strategy. Linking remuneration to climate change will, at the very least, offset the temptation to maximise profit at the cost of the planet. Stakeholders who wish Rotomyne to take a more balanced approach to its responsibilities will be reassured if the company adopts a broader approach to Board remuneration.

It could be argued that this will be a cosmetic change that has very little real impact on directors' behaviour. It is unlikely that the shareholders will tolerate a remuneration scheme in which the directors can make more from managing climate change than from maximising shareholder wealth. The directors are likely to find that losses from foregoing a bonus for minimising emissions are more than compensated by gains from increasing profit or share price. That could lead to greater cynicism about corporate behaviour if the governance disclosures show that the Board earned little or nothing from the management of climate change. The alternative would be to risk encouraging dysfunctional behaviour through the provision of substantial bonus schemes for reducing emissions. In that case, boards might be prepared to damage their companies in order to reduce externalities.

It is difficult to envisage an effective remuneration scheme that could reward continuing improvements in relation to minimising climate change. It might be possible to improve performance in relation to previous years, but there will quickly come a time when such improvements are difficult to make. It may be necessary to signal a commitment to protecting the environment by penalising directors for emissions and other problems. Unfortunately, such damaging behaviour may be an inevitable aspect of doing business. Rotomyne might find it difficult to recruit board members if they face penalties for expanding the business and delivering economic growth.

SECTION 3

Requirement 1 – Permission to operate

Rotomyne's impact on the economies of the host countries will be a factor because host governments will take that into account in deciding whether to impose any sanctions against the company. This impact will include the number of jobs that the company provides, particularly if they are well paid and skilled. If Rotomyne is a major employer in a particular town, then local residents and local politicians will have an incentive to lobby on the company's behalf. There could also be synergies with other industries. For example, a battery factory in a host country might rely on Rotomyne for supplies of lithium. The closure of those mines would force the battery manufacturer to import lithium at an increased cost because of additional transportation.

Rotomyne's willingness to pay reasonable amounts of tax will affect the attitudes of stakeholders within host countries. The company is a multinational, which permits a certain amount of discretion in the reporting of taxable profits, depending on how transfer prices are decided. Multinationals who are accused of underpaying tax in their host countries are often criticised by the press and politicians, which can force governments to take action. If Rotomyne's activities in any given country are curtailed for any reason, then the host government will be forced to forego the tax revenue. Making realistic tax payments will provide Rotomyne with a degree of protection against government sanctions.

The extent to which Rotomyne is competing with other parties for scarce resources, particularly water, is a significant aspect of maintaining its licence to operate in a particular location. Local communities rely on reliable water supplies for their very existence. If Rotomyne's consumption is excessive, then it may be necessary for governments to invest in expensive pipelines. There may be other local industries that depend on water supplies, such as agricultural businesses that require water to irrigate crops. Rotomyne could be at risk of being seen to endanger local businesses because of its need for water to process lithium. It may be necessary for the company to consider reducing its output during times when water scarcity is particularly acute, such as dry seasons.

Rotomyne should be aware of the extent to which local stakeholders take an active interest in levels of pollution. That could be related to the levels of economic development of different host countries. Developed countries are likely to have the required infrastructure to detect and measure contamination levels and to diagnose any resulting health issues. Developing countries may not have such capabilities. Rotomyne should take the initiative to monitor and report the extent of contamination caused by each of its mines, regardless of their location. The company should take care to address the cause of any contamination, reducing it to tolerable levels if it cannot be eliminated altogether.

Rotomyne should avoid risking accusations of polluting water supplies in developing countries, otherwise charities and other bodies might campaign against the company.

Requirement 2 – Selling brine mines

The sale might offer reputational benefits to Rotomyne because the heavy water consumption and leakage from evaporation ponds are strongly associated with brine mines. Selling the brine mines to car manufacturers would distance Rotomyne from these concerns. Electric car makers might be prepared to buy brine mines because they need a steady supply of lithium for batteries and brine mines have lower operating costs. They will be less concerned about the environmental issues associated with brine mines because they are directly involved in the replacement of petrol-powered cars with electric cars.

Selling these mines to this target buyer will enable Rotomyne to inflict some damage to a rival lithium miner. The buyer will not need to continue to buy lithium if it operates its own mines. That will reduce the extent to which the buyer's previous supplier can influence the lithium market.

Rotomyne could use the funds obtained from the sale of the mines to develop in new business directions. For example, it might locate and purchase mines that would enable it to supply manufacturers of sodium-ion batteries. The company's mining skills will be readily transferrable to the extraction of different materials.

The shareholders might be nervous about the disposal of one third of the company's mines. There is no guarantee that Rotomyne will have satisfactory use for the funds that will be obtained from the sale. It will be difficult for the company to demonstrate that it obtained a fair price for the mines because the scarcity of operational mines that are permitted to operate means that there is unlikely to be an observable market for their sale. Rotomyne will appear to be contracting for no good reason. The company might have considered competing with its rival for the rights to supply the car manufacturer with lithium and so profited from retaining the mines.

There is, currently, strong demand for lithium. It would have made commercial sense to have retained all of Rotomyne's mines, including the brine mines. If Rotomyne wished to diversify into mining for alternative metals, then it could have done so by raising the necessary finance and adding those to the nine existing lithium mines. In the same vein, some of the reputational damage associated with brine mining could be addressed by investing in direct lithium extraction from existing sources.

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STRATEGIC CASE STUDY

NOVEMBER 2024 – FEBRUARY 2025

EXAM ANSWERS

Variant 4

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SECTION 1

Requirement 1 – Risks

There is a significant risk that the host governments will withdraw their permission for Rotomyne to operate their mines. That risk has a high likelihood because of the evidence that pollution from the mines has spread over a significant distance, which includes agricultural land. The risk also has a high impact because the sudden withdrawal of permission to use traditional brine mining would lead to the closure of three from nine mines. It is unlikely that Rotomyne would be able to maintain production from the six remaining hard rock mines and so there could be a significant loss of revenue. The closure of these three mines would also affect the transportation costs associated with maintaining deliveries to any major customers who are supplied from those mines on the basis of their proximity. It may be necessary for Rotomyne to incur additional costs to meet customer needs.

Rotomyne could suffer significant reputational damage because of their pollution of agricultural land and, in all probability, of domestic drinking water. There is a high likelihood of this because it is an established fact that the evaporation ponds used in traditional brine mining can leak into the surrounding areas. This could result in high impact damage to Rotomyne's business. For example, major customers may switch to rival mining companies that are not subject to criticism. Customers such as major electric vehicle manufacturers may believe that their reputations could be damaged if they continue to buy lithium from Rotomyne, even if it is not sourced from the brine mines.

Rotomyne could face substantial claims for compensation from farmers whose crops have been affected by leakage from the evaporation ponds.

There is a high likelihood that any such claim would be successful because a chemical analysis of the contamination can be compared with the chemistry of the content of the ponds. The impact could be substantial because the fact that traces can be detected over a wide area, which suggests that many farms could be affected. Any damage to this agricultural land will be persistent. It would be impossible to address the damage in any practical way.

Requirement 2 – SAF

DLE is suitable because it does not require a change to Rotomyne's existing strategy. The company will continue to mine lithium from the same locations as before. Rotomyne already owns the properties on which the new mine shafts will be drilled. It should be a relatively straightforward matter to obtain permission to install and operate the new processing equipment because it will reduce contamination. Rotomyne already has the expertise to process concentrated brine from evaporation ponds, which suggests that it is capable of operating DLE. Any gaps in skills or knowledge can be addressed through training existing staff. If DLE mines can be shown to be more sustainable than traditional brine mines, then it would be consistent with Rotomyne's mission statement to make this change.

Switching to DLE could have marketing implications. Rotomyne's customers will be buying the same product, but it will be manufactured in a more environmentally-friendly manner. Customers will benefit from being able to demonstrate that their supply chains use materials that have been responsibly sourced. Lithium is sold as a commodity, which means that the additional production costs associated with DLE cannot be passed on to customers, so pricing will not be an issue.

The acceptability of DLE depends largely on the net impact that the change will have on the impact of the mines on their local environments. Traditional brine mining may be harmful because of leakage from evaporation ponds and the need to dispose of waste materials remaining after the lithium has been extracted. DLE does not rely on evaporation and waste products are pumped back underground, where they are likely to do little damage. There is, however, the need to keep DLE mines well supplied with solvents and the processing relies on the generation of electricity rather than sunlight. Stakeholders, such as environmentalists, host governments and local farmers, may be concerned that the pollution and disruption associated with operating DLE mines will prove more intrusive and damaging than the traditional brine mines that they will replace. For example, the additional road traffic associated with the delivery of solvents and diesel for the generators. Having said that, these are agricultural areas, which will already make heavy use of road transport and diesel-powered equipment.

The shareholders may be concerned that DLE will increase operating costs and so reduce their profit. This may still be an attractive investment because it protects the value of the existing brine mines that may have to be closed down due to pressure on host governments.

The feasibility of DLE depends on the practical issues associated with delivering and installing the necessary equipment. If the mines are located in relatively remote locations, then Rotomyne will have to ensure that it is possible to carry out the drilling and construction work on which the operation depends.

A geological survey will have to be carried out to ensure that the new shafts can be sunk so that fresh brine can be pumped up in sufficient quantities for extraction and spent brine can be returned to the mine. Rotomyne will have to seek expert advice on the reliability of such surveys, given the possibility that geology is not an exact science and so there will always be a risk of a misleading result.

Rotomyne will also have to establish whether the host countries' roads can cope with the initial delivery of the processing equipment and the subsequent deliveries of solvents and diesel fuel. It may be necessary for Rotomyne to address this matter when seeking permission from the host governments before commencing on this project.

SECTION 2

Requirement 1 – Acquisition

The main reason for acquiring Leclith would be to benefit from the company's expertise in implementing geothermal electricity generation DLE at Rotomyne's brine mines. Adapting Rotomyne's existing brine mines could create synergies that would justify paying a premium over Leclith's current market value. Making the mines self-sufficient in electricity will reduce operating costs and may create additional revenue from the sale of surplus electricity. The availability of expert staff to support Rotomyne's transition from traditional brine mining to the combination of DLE and geothermal generation is a consideration. Leclith will not necessarily have sufficient expert staff to assist Rotomyne while keeping its own mines operational. It may be difficult to evaluate this potential synergy before actually acquiring Leclith because the two companies are competitors and will remain so until the acquisition has been completed. The benefits of the acquisition are effectively contingent on Rotomyne being able to reach an agreement with Leclith that will confirm the suitability of its brine mines for modification to Leclith's standard.
Rotomyne will have to consider the post-acquisition issues that might affect its ability to integrate Leclith into the Group. There may be cultural differences between the two companies that might affect the willingness of key staff to remain with Leclith after it joins the Rotomyne Group. Leclith invests heavily in research and development, retaining earnings in order to fund research into mining technology. Rotomyne already has a research and training facility, but that focusses more on research into lithium and the products that use lithium in their manufacture. The managers and experts that Rotomyne wishes to employ may be concerned about the implications of the takeover for their careers and so they may be tempted to resign. Rotomyne would have to be reasonably certain that it can retain these key employees before proceeding with the acquisition.

Acquiring Leclith would involve a significant increase in Rotomyne's lithium production. The Board will have to consider whether that is a desirable outcome. Rotomyne is already one of the largest lithium miners and is large enough to influence lithium prices simply by increasing or decreasing its output. The acquisition of a rival that would increase its output by a third, in terms of the number of mines owned by the Group, could prove unacceptable to governments and regulators. The acquisition of Leclith could be blocked on the grounds that it is uncompetitive. It may be more practical for Rotomyne to attempt to negotiate the purchase of the technical expertise to convert its mines than to acquire Leclith in its entirety.

Requirement 2 – Dividend

When Leclith was operating as an independent quoted entity, it appears that it had a policy of reinvesting earnings in the development of new mining technology. That led to at least one major breakthrough in the form of combining DLE mining with geothermal electricity generation.

It seems likely that the company's shareholders were keen to invest in a company that offered capital growth rather than dividend income. It may be that the company's shareholders chose to invest in Leclith because their personal tax circumstances favour capital gains over dividends. It would probably make sense for the shareholders to sell their shares in Rotomyne if they do prefer capital gains over dividends because the Board is likely to continue to distribute a significant proportion of earnings as dividends. The former Leclith shareholders could sell their shares immediately after the acquisition, taking the benefit of any premium paid over their previous share price. They could then reinvest the proceeds in a security that offers capital growth.

Leclith's shareholders appear to have learned to interpret the reinvestment of earnings as a sign that the company's directors have viable plans for future development. They would not have tolerated a 4-year suspension of dividends if that had not been the case. That is helped by the fact that Leclith's Board delivered at least one significant technical advance through that strategy. Leclith's shareholders may take the view that the expanded group should continue to invest heavily in research, bearing in mind that it was the company's expertise in this area that motivated the acquisition. If the Board starts to distribute earnings that would previously have been invested in research, then Leclith's shareholders may be concerned that the directors are failing to make best use of the skills and resources controlled by the company. There may be concerns that Rotomyne has failed to retain the best of the research staff in the course of the acquisition. Leclith's shareholders could have serious concerns about the ability of the Rotomyne Board to demonstrate sound governance of a group in which Leclith is a major part.

Leclith's shareholders should expect that the dividend policy will change after Leclith's absorption into the Rotomyne Group. The Group is roughly four times larger than Leclith was when it operated independently. It is unlikely that there will be sufficient, viable or interesting research projects to justify investing the entire group's earnings in the development of new mining techniques. At the very least, Leclith's shareholders should anticipate that the expanded Rotomyne Group will pay some dividends, even if the dividend per share is less than it was before the acquisition. It is likely that Rotomyne's Board will find it necessary to divert some of Leclith's earnings into dividends, otherwise it will be necessary to reduce the dividend per share in comparison to the dividends paid before the acquisition. Rotomyne's directors are likely to be more concerned about maintaining the confidence of the group's continuing shareholders, given that it is the larger of the two bodies of shareholders.

SECTION 3

Requirement 1 – Ethical Issues

Iresh's proposals lack integrity. His role as Non-Executive Chair suggests that he should be straightforward and honest in his dealings. In this case, he has proposed that there should be substantial changes in the staffing of Rotomyne's Board and has recommended that the changes be managed by the relevant Board committees, which implies that he intends to act in the company's best interests. Unfortunately, he has indicated that neither he nor the CEO should be subject to that process. It could be argued that the posts of Non-Executive Chair and CEO should be considered in the same manner as the selection of continuing executive and non-executive directors.

There are also concerns about confidentiality in relation to the discussions that have been held with Rotomyne's largest shareholders. The workings of the Board should not be discussed with a few selected shareholders because the directors are responsible for governance matters. The Board committees should have developed recommendations that should then have been presented to the entire body of shareholders through the usual channels. It was inappropriate for Iresh to provide influential shareholders with prior notice of decisions that the Board intends to make public at a later date. He might also have breached insider trading regulations. Iresh's proposals also raise serious concerns about objectivity in relation to the operations of the Board committees. The committee members should be free of bias in their decision-making, which is difficult because of the structures and memberships of the committees. All three of the independent non-executive directors face the loss of their seats on the Board and all three sit on the Remuneration Committee. They are effectively in a position to determine their own compensation for the loss of their appointments. Two of those directors sit on both the Remuneration and Nomination Committees, which puts them in very influential positions with regard to the executive directors. Those two directors must work with Iresh to select a total of three independent non-executive directors, so they can effectively select themselves if they so wish.

Requirement 2 – Nomination Committee

The composition of the two boards and the backgrounds of their members should be considered. For example, Rotomyne has executive directors who are responsible for production, human relations, finance and marketing. Leclith has the same number of directors, but they may not necessarily fulfil the same functions. For example, Leclith might have a Legal Director instead of a Human Resources Director. The committee should evaluate the advantages and disadvantages of representing each specialism at Board level and appoint one of those directors on the basis of specialism in the more desired area.

The remaining places on the Board should be filled on the basis of the selection of the best qualified of the two Board members who are effectively competing for each post. For example, the Finance Director whose background and experience is the better suited to the Rotomyne Group's needs should be appointed.

The Nominations Committee should aim to minimise the potential for disruption that could arise from the selection of executive directors. There are likely to be differences between the strategies pursued by Rotomyne and Leclith. If those differences are significant, then it would be undesirable to appoint a director who would be unwilling to ensure compromise between the different parts of the Group. If, for example, Leclith's Production Director is appointed to the main Board, then it will be necessary to take responsibility for the supervision of both hard rock and DLE mines. It would be unrealistic to make that appointment if the new Production Director was likely to confuse and/or demotivate the senior management teams responsible for mine operations. The Nominations Committee should interview all potential appointees, and the interviews should deal with the need to rationalise strategy across the expanded Group and the manner in which that rationalisation would be managed.

The selection of non-executive directors is complicated by the fact that they need not necessarily be selected on the basis of particular skills or backgrounds. That makes it more difficult to appoint on the basis of objective criteria. The Nomination Committee should start by checking that all of the current non-executives at Rotomyne or Leclith are independent from the expanded Rotomyne Group. The three appointees should then be selected on the basis of their potential contribution to the Board, taking account of their competence and personalities. It might be preferable to aim for a range of past experience. For example, Rotomyne's current non-executives include a civil servant, a chemist and an academic. It would be desirable to maintain that level of diversity. All six of the current non-executives have had the opportunity to demonstrate their ability to make a worthwhile contribution to the expanded Group's governance and can clearly play a part in the selection process.

The Nomination Committee should be careful to avoid accusations of bias, both in the appointment of executive and non-executive directors. There could be serious post-acquisition problems if all of the new Board consists of former Rotomyne directors. The concern would be that Leclith's senior managers might believe that there is no future for them in the expanded Group and so they might seek employment elsewhere. It would be desirable to aim for a minimum number of directors from each company, which could be considered in parallel with the technical considerations. It might also be helpful to seek advice from Leclith's non-executive chair concerning the suitability of the company's non-executives. That advice will be relatively unbiased because it would appear that Leclith's Non-Executive Chair will not be continuing with the Group.

AICPA & CIMA
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STRATEGIC CASE STUDY

NOVEMBER 2024 & FEBRUARY 2025

EXAM ANSWERS

Variant 5

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SECTION 1

Requirement 1 – Mission, Vision and Values

The factory would give Rotomyne a more direct role in the manufacture of electric vehicles, which is consistent with the ethos of being clean, healthy and sustainable. The manufacture of rechargeable batteries is directly consistent with the creation of consumer products and the use of electricity in place of petrol and diesel. Lithium is used for a variety of purposes, including alloys for aerospace, so ensuring that the output from Rotomyne's mines is used for batteries would reduce the likelihood that its lithium was being used in the manufacture of other products, including aircraft.

The question of consistency with the mission statement depends on whether electric vehicle manufacturers will be prepared to buy Rotomyne's batteries rather than manufacturing their own. Batteries are significant components of electric vehicles because they determine their maximum ranges. Manufacturers might be reluctant to outsource such a critical part. Also, Rotomyne will only be displacing the manufacture of batteries from manufacturers' existing facilities to the new factory in Gavlonia. Building the factory will not, therefore, increase the number of electric vehicles and so it may not necessarily alter the manner in which consumers' lives are powered.

The factory will give Rotomyne a greater role in its customers' supply chains. It will be providing batteries instead of just the lithium that the batteries contain. In principle, if Rotomyne is entering a new market that requires the manufacture of components rather than just raw materials, then it will have to be reliable if it is to make sales. Reliability is, however, little more than an aspiration at this stage. Rotomyne has no experience of making batteries and so it cannot be guaranteed that its batteries will be of good quality.

Rotomyne will also be dependent on third parties with respect to the logistics of making these batteries. It will be necessary to buy parts and materials other than lithium and those may be in short supply in Gavlonia. It may also be more difficult to guarantee the delivery of batteries to foreign customers. Car batteries are bulky and potentially fragile items, compared to lithium as a raw material.

Rotomyne could argue that this is not a particularly significant concern. The company has a research and training facility that investigates issues associated with the use of lithium in an industrial setting. The facility might mean that the company has the means to design and operate an efficient factory that manufactures good quality batteries.

The consistency of building this factory with the values that Rotomyne is acting ethically and honestly and operating sustainably is difficult to evaluate at this stage. It could be regarded as unethical for Rotomyne to use the factory as an excuse to continue to operate the evaporation ponds, which appears to be the intention. There is an implication that making this investment will enable Rotomyne to influence the government into permitting the company to continue to mine.

It seems unlikely that the new factory will make Rotomyne more sustainable. The mines will operate as before and will continue to cause damage through leakage. The batteries will be much heavier than the lithium that is exported at the moment, so the additional transportation needs will render the factory less sustainable.

Rotomyne does not appear to be innovating in any way. Lithium rechargeable batteries are manufactured using established technology and the products themselves are quite mature. The motivation behind building this factory is the desire to reduce pressure from the Gavlonian government rather than the implementation of innovative new technology.

Requirement 2 – Impact of factory

The factory could increase Rotomyne's environmental impact because of pollution from the factory itself and also from the additional traffic carrying parts and materials and transporting finished goods. If the Government or one of the major opposition parties has a strong environmental stance, then there could be a controversy over Rotomyne's expansion. There could be other social and environmental impacts. If the factory is located close to the mines, then the additional jobs that it creates could lead to local farmers finding it difficult to retain employees in the face of better paid production jobs. There may also be additional impact on the country's infrastructure, with additional road traffic for the transportation of materials and the shipment of batteries. The complexity of the operations, with the need to transfer lithium to the factory and the need to export the batteries, could lead to a disappointingly small increase in taxes paid in Gavlonia.

Investing in a new factory will increase Rotomyne's exposure to political risk because it will increase the value of the assets that might be seized in the event of a major conflict with the government.

For example, the threat that polluters must put right any damage that they cause could be difficult to enforce if there are only limited assets in the country. Building a factory will make it more rewarding for the Government to confiscate Rotomyne's Gavlonian assets. If necessary, the Government could even permit the mines and factory to continue as a going concern, protecting jobs and generating revenue, because there is little alternative to leaving the brine in the ponds.

The Minister for Trade might present Rotomyne's investment in the factory as a personal success that reflects well on the government. That could reduce Rotomyne's political risk because it will be more difficult for the Minister or for the Gavlonian Government in general to criticise the company. The Minister will not wish to take any action that will imply that Rotomyne has behaved in an unacceptable manner after being encouraged and supported through the construction of its new factory. The Minister will be less likely to continue to draw attention to the environmental damage caused by the evaporation ponds after permitting Rotomyne to expand its presence in the country.

SECTION 2

Requirement 1 – Stakeholder Analysis

Potential customers will have a significant interest in the capacity of the new factory and the power to reject Rotomyne as a battery supplier if the factory is too small to meet their needs, which would have implications for its location and design. Electric vehicle manufacturers will be unlikely to commit themselves to a battery supplier who cannot meet their needs for volume. As a starting point, Rotomyne should meet with its potential customers in order to establish a realistic expectation of their needs for batteries. If the smaller location offered sufficient capacity, then it would be cheaper to build and operate because of the smaller size of the factory and because there would be less need to expand local infrastructure. If Rotomyne plans to build on the larger site, then it will have to decide on the factory's initial capacity and whether provision should be made for future expansion, both of which are further issues that will have to be discussed with customers.

Environmentalists might also take an active interest in Rotomyne's decisions, based on the sustainability issues associated with the operation of the factory. The larger factory will require additional road access, which could suggest that the factory will encourage greater volumes of traffic and so the consumption of more fossil fuels. The environmentalists will have less power than the potential customers over the decisions being made by Rotomyne with regard to the design of the factory, but they may be capable of delaying or even preventing construction. Rotomyne should consider negotiating with them over design matters that could have an environmental impact. For example, it may be more acceptable to environmentalists to use conveyor belts to transport lithium rather than relying on trucks.

The Gavlonian Government will have both a political and an economic interest in the factory. Rotomyne has already been criticised for its lack of contribution to the Gavlonian economy and the pollution that it causes. It is important that the factory can be shown to address those concerns. The larger the factory's output, the greater the profit that it will make in Gavlonia, which will increase the amount of tax that it will pay. Presumably, the Government will obtain a larger political advantage if the largest possible factory is built in the first instance or, at the very least, if the larger site is used and the design allows for the greatest possible expansion. Similarly, the Government is more likely to support the construction of the factory if the integration between the factory and the lithium mines was designed to create as many skilled jobs as possible, perhaps by using trucks rather than a conveyor belt to transport lithium.

Requirement 2 – Funding

Borrowing the funds is likely to be cheaper than raising the cost of the investment in the form of equity. The interest is tax deductible, which means that the subsidiary that owns and operates Rotomyne's interests in Gavlonia can offset it against the profits declared in the country for tax purposes. Rotomyne should consider the tax rates in Gavlonia compared to other countries in which the Group operates.

The tax relief will be worth more if Gavlonian tax rates are high. There could be political considerations associated with minimising tax paid in Gavlonia. One of the concerns about Rotomyne's operations is that the country derives very little benefit. It may be preferable to borrow the funds from a bank in Porrland and paying additional tax in Gavlonia.

The cost of debt is also linked to the security that can be offered to lenders. In this case, borrowing from a Gavlonian bank would make it easier to pledge the factory as security. It would be difficult to persuade Porrlandian banks to accept a foreign factory as security because it would be difficult to foreclose on the factory. There would be significant additional legal costs and the bank has less experience of liquidating property in Gavlonia. The alternative would be to secure the loan against existing assets, but there may not be any suitable properties that are available. Leaving Porrlandian assets free of any pledges also gives Rotomyne greater flexibility for raising debt in the future.

Borrowing P$800m from a Gavlonian bank would protect the Group against confiscation by the Gavlonian Government. Rotomyne could default on the loan in the event that the mines and factory were nationalised or taken in payment of a fine for pollution. The bank will be concerned about that and would lobby against any extreme action against the company. That may complicate the negotiation of the loan in the first instance. The bank might insist that Rotomyne invests heavily in safeguards to reduce the risk of environmental damage that could lead to fines.

Borrowing in G$ will result in increased currency exposure. At present, operating costs for the mine and the factory will be incurred locally and revenues will be earned in the currency of the customers who buy batteries. It is unlikely that customers for Rotomyne's lithium or the batteries that will be made in the factory will be willing to be invoiced in Gavlonian currency. Paying interest and repaying loan principal in G$ will increase Rotomyne's exposure still further, increasing costs if the currency strengthens. The only consolation is that the International Fisher effect implies that Gavlonian interest rates will move in response to currency movements. In theory, if the G$ strengthens, then the interest rates charged in that currency will decrease. Any such movements will not necessarily be immediate though, and there is no guarantee that there will be a precise offset between interest rates and changing exchange rates.

SECTION 3

Requirement 1 – Hospital

Building the hospital would be a breach of the ethical principle of integrity. Rotomyne's directors are responsible for the management of the shareholders' equity and the maximisation of their wealth. The shareholders are not responsible for the provision of hospitals in their host countries; this is a matter for the host governments. It would be acceptable for the directors to propose the construction of a hospital, provided the shareholders are given the opportunity to vote on it. Any such vote would have to be based on the full disclosure of the facts. The directors would have to inform the shareholders that the hospital has been demanded as a condition for the commencement of construction work on the factory. Anything less would be a dishonest basis for the shareholders' decision.

The directors should take an objective view of the hospital's request. The P$25 million cost is effectively a bribe to be paid in return for the politician's agreement not to interfere with the construction of the factory. The fact that the politician is not necessarily seeking personal gain is not really relevant to the decision as to whether to build the hospital. It is clear that Rotomyne is effectively being coerced into building this hospital, if only because the company had no intention of doing so until the politician made his demand. The manner in which the demand was presented makes it clear that the factory's construction is entirely conditional upon agreement to build the hospital.

Agreeing to build the hospital would be a breach of the principle of professional competence and due care. The directors have already met all legal requirements to proceed with work on the factory. The factory has, presumably, been evaluated as being a positive net present value investment, so work should commence as quickly as possible. If a local politician threatens the progress of construction, then the most cost-effective response by Rotomyne's directors is to threaten legal action against the politician. Agreeing to build the hospital under this illegal compulsion would be an expensive course of action.

It could be argued that agreeing to build the hospital is a breach of the principle of professional behaviour. Spending P$25m on this hospital will benefit the politician, even if only because he can claim credit for enhancing local healthcare. Rotomyne will leave itself open to criticism because it will be encouraging politicians to behave in a corrupt manner. Agreeing to the politician's demands could lead to other companies facing the same pressures. That could eventually be damaging to the Gavlonian economy because it could lead to foreign direct investment being curtailed.

Requirement 2 – Audit testing

Internal audit should review the system for verifying and authorising expenditure on this project. There should be detailed costing of each phase of construction, listing the materials that will be required and the labour and other services required from contractors.

There should be a management team that is responsible for liaising with contractors and for signing off stages of construction that trigger payments on completion. That team should be given control over a budget that reflects the total expected cost of construction. Having such a system in place will enable the Board to ensure that no unauthorised payments are made in respect of bribes that could be paid under the guise of legitimate building costs.

The cumulative total expenditure to date should be reviewed regularly by internal audit. That total should be compared to the budgeted cumulative total for the factory's stage of completion. This is essentially a form of analytical review that should highlight any variances between budgeted and actual expenditure. The audit staff should seek explanations for any variances, particularly overspends, to establish whether there have been any unplanned payments. The validity of any adverse variances should be checked to supporting evidence. For example, checking invoices to confirm that the price of, say, concrete has risen.

Internal audit staff should review samples of payments relating to the factory project on a regular basis. These should be linked back to reports on the work that has been completed to date to ensure that the criteria for payment have been met. The payments should have been checked to ensure that they were made to the suppliers or contractors who were selected by the senior management team in charge of the project. Apart from confirming the validity of payments, these checks will discourage any irregular payments, including bribes.

There should be a system in place whereby the management team can seek authorisation for additional costs, either because of changes to the plans or because of unforeseen costs. The Internal Auditor should review correspondence in relation to any adjustments to the budget to ensure that they have been properly authorised by the Board. A senior internal auditor should interview the senior management team in relation to any potential irregularities to ensure that this system is not being abused to conceal bribes. The Internal Audit Department reports to the convener of the Audit Committee, so they should be prepared to investigate the behaviour of Rotomyne's executive directors and managers.

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EXAM ANSWERS

Variant 6

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SECTION 1

Requirement 1 – Economic risks

Demand for the sale of battery grade lithium, which is a significant part of Rotomyne's total, is affected by the strength of the S$. If the Savvlandian car manufacturers price their cars in S$, then any strengthening of that currency will increase the retail price of its cars. That increase will probably reduce demand and so will reduce the demand for lithium, thereby reducing Rotomyne's revenue. The impact of that will be difficult to determine because the car manufacturers might have taken steps to hedge their economic risks. That could mitigate the impact on their sales and so enable them to maintain purchases of lithium. There is a further complication in that demand for cars may not always be totally elastic. Customers who have a preference for a particular make of car might be keen to buy it regardless of moderate price rises.

Some customers might deal with the threat of currency movements by stockpiling materials when prices are at or below the average, which makes it difficult for Rotomyne to predict the impact of currency movements. Rotomyne makes a significant percentage of its revenue from the sale of lithium metal. The customers who buy the metal to make alloys could buy lithium metal in bulk when the price is favourable and reduce purchases when prices increase. That makes it more difficult for Rotomyne to manage economic risk with respect to this particular product. Managing the risk is further complicated by the fact that Rotomyne can always make less of one product and compensate by making more of another. If it proves unprofitable to process lithium carbonate into lithium metal, then it may be possible to make more profits from the manufacture of butyllithium for pharmaceuticals.

Lithium is a commodity. Mining companies can do very little to differentiate their products in terms of the actual material. Purchasing power parity suggests that the price per tonne of lithium will be the same regardless of the currency in which it is being bought or sold.

It is unlikely that Rotomyne will be able to pass on any movements in exchange rates to its smaller customers. Attempting to do so would render the company uncompetitive. Some larger customers might have fixed contract terms that price regular purchases in their home currencies, while smaller customers might make purchases based on the prevailing market prices, regardless of currency movements. It could be difficult for Rotomyne to predict the impact of currency movements on the selling prices and operating profits from each mine.

Rotomyne is one of four major lithium mining companies that can influence the supply of lithium to a material extent. Currency movements might alter the profitability of extracting lithium, which might lead to some mining companies reducing their output and so increasing the market price. The extent to which such adjustments might be practical can be complicated. For example, the lead time for traditional brine mining is very long and so a company that relies on that method cannot reduce output in the short to medium term. Rotomyne could, at least in theory, respond to reduced cash flow caused by currency movements by reducing its output, particularly from its hard rock mines. That strategy might not necessarily work if rival mining companies respond to a stabilisation of the price of lithium by increasing production in order to benefit in the short term.

Requirement 2 – Managing currency risks

Rotomyne's shareholders would probably regard it as unacceptable to make no attempt to mitigate currency risks. The global nature of the company's business suggests that it has a significant exposure to currency risks and so the shareholders will regard it as a sign of poor governance if the risks are simply tolerated. Knowing that performance could be affected to a significant extent if currency markets are turbulent will probably be interpreted as a sign that steps should be taken to mitigate the associated risk. There could be significant impacts arising from the important business relationships, such as the large customers who buy significant quantities of lithium for the manufacture of batteries for electric vehicles.

Rotomyne's statement of principal risks acknowledges that its costs and revenues are affected by exchange rate fluctuations, which will reinforce expectations that currency risks will be managed. The statement also reassures readers that Rotomyne has an in-house treasury team that is charged with acting to manage those risks. Shareholders will interpret those disclosures as suggesting that costs are being incurred in order to manage currency risks and so it is reasonable to expect that the risks will be mitigated.

The impact of currency movements on Rotomyne's operations is very complicated. The company is based in Porrland, but its mines are in six different countries. Lithium is exported from those countries to many other countries. The complexity of Rotomyne's exposure suggests that the management of currency movements might have to be restricted to currencies in which there are major dealings such as the S$. 53% of Rotomyne's sales revenue is spread across 90 countries that import lithium for several different reasons. Some of the resulting currency exposures may be too small

to justify active management. It may be that many of these exposures offset one another so that there is actually no need for them to be managed separately.

The shareholders can diversify these risks by holding portfolios of shares that offset the impact of currency movements, which may mean that the directors do not have to make separate provisions.

For example, a laptop manufacturer requires lithium for batteries. If a shareholder holds shares in both Rotomyne and a laptop manufacturer, then the impact of currency movements on lithium prices will be offset.

SECTION 2

Requirement 1 – Beta Co-efficient

Rotomyne's high beta coefficient indicates that it has a high systematic risk. In other words, the shareholders' return is significantly exposed to changes in the return offered by the stock market as a whole. If security has a high systematic risk, then its returns are affected by the same factors that drive volatility in the stock market itself. That means that the systematic risks cannot be eliminated through investing in a diversified portfolio, and so the security makes an investor's portfolio riskier than if it was made up of low beta securities. The impact of currency movements on Rotomyne's beta depends on whether the stock market's overall performance is associated with currency volatility. It is unlikely that exposure to movements on individual currencies will affect returns offered by the stock market as a whole because currency movements will affect different companies in different ways. Logically, a diversified portfolio can include securities that are affected in different ways by movements in any given currency, and so movements on that currency can be diversified away. If Rotomyne tends to suffer when the S$ is strong, then shareholders can eliminate that risk by combining their investment in Rotomyne with holdings in securities that benefit from a strong S$. That suggests that Rotomyne's beta is not a function of currency movements.

The factors that affect the beta coefficient have to be determined by statistical analysis of capital market returns. They cannot be identified or eliminated with certainty on the basis of logic. The beta coefficient itself is calculated by examining the return on each individual security in relation to the market as a whole. Rotomyne's beta is greater than 1.0, which means that returns from owning its shares tend to be more volatile than returns on the market as a whole. That analysis does not, in itself, confirm that the beta is affected by specific factors such as currency movements. The only way to establish whether beta is affected by a specific factor is to conduct a further study that compares the relationship between currency exposures, betas and returns for a sample of companies whose exposures to currency movements are similar to Rotomyne's. If no relationship is found, then the capital market is not rewarding shareholders for accepting risks from currency exposures because they can be diversified away.

The significant loss on Rotomyne's currency reserve indicates that the company has suffered translation losses on the consolidation of foreign subsidiaries. The losses are substantial because all of the company's operations are in the form of mines that are owned and operated in six different countries. The size of Rotomyne's investment means that any fluctuations in currencies could have a significant impact on the book values being used in the consolidated financial statements. Translation gains and losses should not, however, have an impact on share prices or capital market returns because they do not reflect in cash flow. In that case, they should not affect the beta coefficient.

Requirement 2 – Treasury Director

Appointing an executive Treasury Director might reassure the shareholders that the Board is taking this key aspect of corporate governance seriously. Rotomyne's costs and revenues are being earned in a variety of different currencies and so cash flows must be managed carefully, if only because of the significant transaction risks that might affect trade payables and receivables. This is a complicated area that requires an understanding of the strategic decisions that must be made, particularly with respect to the use of derivatives. This is being made even more complicated because of the introduction of futures that can be used to fix lithium prices. It would be helpful if the Treasury Department had a designated director whom they could consult in relation to any problems that required a decision. The Board as a whole could then be satisfied that there was a considered and consistent response to all currency matters.

The Treasury Director could have other duties, beyond the management of currency risk. For example, corporate treasurers often liaise with banks and other lenders. Rotomyne is heavily dependent on debt, with a gearing ratio of P$5,000/(P$5,000+P$4,814) = 51%. It would be potentially useful to have a director who could maintain contact with existing lenders to ensure that any matters, such as technical defaults on debt covenants, are negotiated effectively. The Treasury Director would also be free to undertake the work required to fund any acquisitions, such as the purchase of a new mine.

Appointing a Treasury Director could lead to conflict with the CFO, who is currently responsible for treasury matters. There could be problems if Martin Jacobs does not wish to relinquish his responsibility for treasury matters. In the short term, this could cause confusion during the transition if Treasury Department staff refer any queries to the CFO. That could lead to inconsistencies or matters being overlooked. In the longer term, Martin Jacobs might feel that it is appropriate to disagree with the new Treasury Director's response to the policies that are being introduced.

The shareholders might be confused by the appointment of a Treasury Director given that the role will operate in parallel with that of the CFO. The shareholders might see this as an expensive appointment and may challenge the costs being incurred. There may also be concerns that the Board structure is starting to lack balance, with an excessive focus on finance, which could be a distraction from more operational matters at Board level. The shareholders might also feel that an additional non-executive will be required in order to have equal numbers of both executives and non-executives.

SECTION 3

Requirement 1 – Scenario planning

The strengthening of the P$ will have a significant impact on Rotomyne's cash flow because the number of S$ to be received will be unchanged. Fewer P$ will be received from the conversion of those S$ into the home currency. The Treasury Department should establish the maximum likely movement in this exchange rate, based on historical analysis. The Treasury Department should prepare cash flow forecasts on a regular basis, based on predicted receipts from customers. Those should be supplemented with variations that assume different exchange rates for the conversion of foreign currency receipts and payments. The Treasury Department should ensure that the Group can deal with any short-term cash flow problems, perhaps by negotiating an overdraft facility that would be sufficient to meet any predicted "realistic worst case" outflow.

The Treasury Department should consider the likely impact in the medium term. If lithium is invoiced in S$, then it will also be priced in that currency. The Treasury Department will have to advise the Marketing Director on the implications of the weakening S$ for Rotomyne's profitability. There should be a contingency plan in place to allow for a renegotiation of contracts to allow for any such reduction in the value of revenues when converted to Rotomyne's home currency.

Interest rates are unlikely to change without some underlying adjustments to the economy. The Treasury Department should be aware of the factors that could cause a significant increase. For example, the Porrlandian Government might adjust interest rates in response to economic problems that could affect the country. The Treasury Department should then make a point of tracking all relevant economic indicators in order to forewarn the Board of an increase.

The Treasury Department should ensure that it maintains a strong relationship with its lender so that it is prepared to negotiate any concessions that might be required. If, for example, the increased interest payments put a strain on cash flow, then it would be ideal if the Treasury Department could negotiate the opportunity to defer the additional interest payments.

Finance costs are already significant. If Rotomyne is likely to struggle to deal with a significant increase, then it might be worth renegotiating the terms of the loan to convert it to a fixed interest liability. The bank is likely to charge more for such a facility, but then Rotomyne would not need to be concerned about the threat of increases.

Ideally, this scenario should be addressed by the establishment of a hot backup facility that mirrors all records and is capable of taking over quickly in the event of the failure of the main system. The backup site should be established at a distance from the main site so that it is unlikely to be disrupted by the same events as the main site, such as a power failure. The backup system should be capable of communicating with Rotomyne's banks so that the processing of receipts and payments can continue.

The Treasury Department should have further precautions in place just in case it is unable to switch to the backup system. For example, there should be a communication plan prepared for contacting affected stakeholders. The Treasury should have IT consultants on a retainer so that immediate support is guaranteed in the event of disruption. Rotomyne should follow Lithdig's example of publishing realistic forecasts of the timetable for bringing the system back online.

Requirement 2 – Ransomware

There is a strong possibility that paying the ransom will be a waste of money because there is no guarantee that the hackers will decrypt Rotomyne's data. Doing so could lead to further demands for payment, with no real prospect of the data ever being released. The hackers are criminals, so it would be naïve to expect them to fulfil any commitment that they have made to decrypt the data if they are paid. They may also be concerned that releasing the means to decrypt the data will make it easier to track them and report their identities to the police. There is no need for any given group of hackers to demonstrate good faith in relation to the victims because they will be operating anonymously and so there is no reason for future victims to know that they have a reputation for releasing data.

Hackers who release data after receipt of ransoms could have a strategy of loading malware onto victim's systems while they have control. That malware could then be used to conduct a further attack, which might be more damaging than the first. The fact that a ransom was paid previously makes the victim a more desirable target. Alternatively, the malware could be used for other purposes, such as gaining control of bank accounts or collecting valuable data.

Shareholders could regard the payment of a ransom as indicative of weak corporate governance. All companies should protect themselves against ransomware by having backups of all data, preferably held offline so that it is not vulnerable to loss or encryption. If a company's financial statements show the payment of a ransom, then the shareholders will wish to know why the company was in a position where it was dependent on the hackers for the return of its data. The directors could face the loss of their jobs if they pay the ransom, even if they believe that there is no alternative.

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Strategic Level Case Study – Examiner's report

November 2024 – February 2025 exam session

This document should be read in conjunction with the examiner's suggested answers and marking guidance.

General comments

The Strategic case study (SCS) examinations for November 2024 and February 2025 were based on a pre-seen scenario which provided information about Rotomyne, a quoted company that mines lithium for sale as a material that is used by manufacturers.

Lithium is an important material. It is used in several applications, including rechargeable batteries for consumer products such as mobile phones and electric cars. Rotomyne's revenues depend on demand for its customers' products. There are also environmental concerns associated with the mining and processing of lithium ore. Furthermore, the lithium mining industry operates on a global basis. Rotomyne creates a host of strategic issues in its management.

A total of six variants were set on Rotomyne. The focus for each variant was as follows:

- Variant 1: Rotomyne faces a drop in demand for lithium, arising from a decline in demand for electric cars.
- Variant 2: Rotomyne faces strategic cyber risks associated with operating in the mining industry, which offers a number of threat vectors.
- Variant 3: Rotomyne faces ESG concerns associated with the poor quality of sustainability information as published by the mining industry.
- Variant 4: Rotomyne is considering making a strategic switch to a more sustainable approach to ore extraction in response to concerns that its current methods are unsustainable.
- Variant 5: Rotomyne is considering a strategic investment in the construction of its own rechargeable battery factory.
- Variant 6: Rotomyne plans to address the treasury implications of the company's business model.

All six variants complied with the published blueprint and covered the core activities in the prescribed weightings. Each variant consisted of three tasks and each task was further subdivided into separate requirements. The weighting attached to each requirement was stated and candidates were advised to allocate the time available for each requirement on the basis of those weightings. Markers were

instructed to adopt a holistic approach to marking, which meant that the answer to each requirement was read and judged on its merits. Markers were provided with specific guidance as to the characteristics of level 1, level 2 and level 3 answers for each separate requirement.

As always, the key to achieving a passing mark or better is to answer the question as set. Failure to do so is one of the main reasons candidates fail the case study. Read the questions and the scene-setting pages carefully before attempting the questions. It is also vital that the candidates understand the pre-seen material. Candidates should apply their judgement to answering the requirements as fully as possible. Scenario-based questions often allow scope for differences of opinion and markers are instructed to mark different approaches on their merits.

It is very important that candidates cover the whole syllabus when revising for the case study exams. There were several weak areas where candidates demonstrated a lack of knowledge and therefore could not really show the level of application required to score a high mark. In this case study, candidates were very poor at currency risks and had a very poor understanding of betas.

To achieve a level 3 in most traits, it was expected that a candidate would demonstrate good technical understanding of the topic being tested through clear and logical application to the circumstances described in the scenario. It may also help to develop an argument by offering justification for any recommendations made. One way to formulate an answer to a typical requirement would be to imagine it as a task that had been set by a director who was delegating an important task.

Level 1 answers generally demonstrate either poor exam technique or fail to offer a logical response to the circumstances in the scenario (or both). Poor exam technique is generally due to a failure to answer the question. Poor logic generally suggests that the candidate has misunderstood the scenario. For example, the specific issues arising in the case of Rotomyne include:

- No two assignments are the same. Each must be planned and executed in its own way.
- Senior management must be aware of the risks facing Rotomyne, which can often be affected by the risks faced by the customers who buy its lithium.
- The company faces risks that have very high impacts.

While each attribute may not necessarily inform every requirement, level 1 marks tended to be associated with a failure to appreciate the specifics of the business.

Variant 1 Comments on performance

	Designed to test	Core activity
Task 1	What are the challenges associated with evaluating Rotomyne's ecosystem?	B - Conduct an analysis of stakeholder needs and recommend appropriate responses
	How might scenario planning assist the Board?	A - Recommend strategic decisions (digital and otherwise)
Task 2	How should the risk register have dealt with the possibility of a slowing of demand?	D – Evaluate risks and recommend responses and can maintain the corporate risk register
	Should the Board be made responsible for managing risks associated with running a single product company?	E - Recommend responses to the threats arising from poor governance
Task 3	What are the implications of failing to deliver expected growth in dividend?	C - Recommend dividend policy
	What are the challenges of creating an exit strategy from some of the company's mines?	A - Evaluate potential acquisitions and divestment opportunities

Task 1

The first task presents a scenario where Rotomyne faces a drop in demand for lithium, arising from a decline in demand for electric cars. Good level 3 answers took a wide stance on this, firstly identifying lithium as a commodity raw material with a market price driven by demand and then took time to identify and define market forces in the secondary market behind their commodity consumers' customers, about which they can do very little. Good answers outlined the rise in demand for EV and hence lithium batteries driven by initial hype, government subsidy and early market take up. Such demand for EVs has fallen sharply as the subsidies have ceased and the progress towards installing necessary recharging infrastructure has been slow. Car manufacturers have followed their customer demand and have switched production back to traditional fuels since demand for battery grade lithium has fallen sharply.

High level 2 and level 3 answers identified these aspects of Rotomyne being a price taker in a soft market time of low demand, with little power to impact on pricing, and therefore needing to manage within the limits of its own cost structures and hope for demand to rise. Good answers highlighted the need to promote alternative markets which use lithium, as sustainable energy sources need large-scale batteries to store energy for use at peak times rather than when created in peak sunlight or windy conditions. Investment

in R&D to develop this market is key to driving demand in a commodity market. Low level 2 and level 1 answers failed to appreciate the significance of the wider market and the commodity nature of their product; in general, their answers were rather shallow and did not develop arguments to any extent.

Candidates were then asked to explain how Rotomyne might benefit from applying scenario planning to the possibility that car manufacturers will continue to reduce their use of lithium.

Good answers quickly outlined scenario planning principles and were able to apply these to the case. The question here was to highlight the benefits of doing so. Many candidates merely applied parameters to predict end outcomes without saying how they could be used. Level 3 answers differentiated between parameters identifying those which can be altered in short or medium term with those which are relatively fixed. This helps to alleviate stress in the industry and improves Rotomyne's prospects for long-term survival and success. The best answers developed a matrix-type approach with best and worst cases over single and multiple years, allowing different scenarios to be evolved and switched between as time progressed and the market evolved. Many answers discussed situations in the world today, including climate, environment and sustainability, which was very good if tied into the scenario presented.

Lower level 2 and level 1 answers were rather brief and tended to show a lack of understanding of scenario planning or were rather mechanistic and failed to apply the principles to the industry facts presented in this scenario.

Task 2

Level 3 and high level 2 answers recognised the commodity nature of their product and developed arguments that fitted in with the facts in the scenario. This kept them on topic and realistic and able to provide credible answers. Good answers analysed the current mitigation factors as passive and hindsight based, stressing the need for anticipation and market awareness through various factors such as new product development, R&D progression, study of the futures market and tracking worldwide production capacity of batteries. Broadly, it is understanding market volatility and the factors which drive it rather than waiting for consumption to have changed. Again, there were some excellent answers highlighting that differentiation in a commodity market is seldom based on price and is more driven by close relationships and proximity of the resource to point of consumption for ease of delivery and reliability of supply.

Low level 2 and level 1 answers were weak and simply stated that the mitigations were weak and that we should look after our customers, with very little application to the scenario.

Candidates were then asked to evaluate the suitability of assigning the responsibility for the volatility risk to the Board as a whole.

Good answers gave a broad view of the arguments here but there are good and bad factors to be considered. This is a strategic issue, so: Does it merit full Board attention? Does the Board have the necessary skills? Should the Board interface with Major Customers? Many level 2 and 3 answers addressed these issues well. Would it be better to have a specialist senior manager responsible for the detail of managing these aspects with trigger points set for appraising the Board on certain thresholds as well as

regular updates? Is there a risk in generalising responsibility to the Board as a whole rather than having an individual fully committed to the task? Lots of scope for discussion on all of these points and more were taken up by the good candidates.

Level 1 answers again tended to fail to apply themselves to the scenario and had a tendency to be very one sided.

Task 3

There were some good high level 2 and level 3 answers for what was clearly a problematic question for some candidates. Level 3 answers were able to discuss the arguments both for maintaining and departing from the policy. The level 3 answers demonstrated understanding of the signaling to the market of both. Level 3 answers reflected on the marketplace as a whole and took competitor positions into account in reaching conclusions. Most good answers confirmed that long-term adherence to the policy was strategically dangerous while market demand remains subdued and that careful signaling and communication was required to ease shareholder concerns and avoid any major selling position being established in the short term.

Finally, candidates were asked to identify and evaluate the challenges associated with creating an appropriate exit strategy for the divestment of mines.

This was answered very well with lots of available material to support arguments on both sides. Some candidates went beyond “considering developing” an exit strategy and made firm recommendations one way or another. All strong, well developed arguments were accepted.

Level 2 and 3 responses highlighted the dilemmas presented by the marketplace on Lithium mining. Market domination by four large operators with very few opportunities to acquire new capacity led to a good discussion. Any divestment of one of nine mines sends strong signals to the capital markets. Arguments were able to be developed on both sides, with good answers considering the wider range of factors and preparing for different contingencies, usually involving options for divestment to be those new mines in less stable political positions to be the ones to divest. Level 1 answers simply presented simplified or less developed answers with rather less appreciation of the macro environment provided in the scenario.

Variant 2 Comments on performance

	Designed to test	Core activity
Task 1	How can a stakeholder analysis help decide on the likely perpetrators of a cyberattack?	B - Conduct an analysis of stakeholder needs and recommend appropriate responses
	How can the Board mitigate the impact of this overflow on the company's share price?	C - Recommend and apply business valuation models
Task 2	How should Rotomyne's Board manage digital security?	A - Recommend responses to opportunities and threats arising from digital technologies
	How should the political risks associated with the attack be managed?	B - Recommend responses to economic, political and currency risks
Task 3	What internal controls should be introduced to prevent further attacks?	D - Evaluate and mitigate cyber risks
	What work might internal audit undertake in order to ensure compliance with the new controls?	E - Apply internal audit resources

Task 1

The first sub-task listed four potential perpetrators of the cyber-attack and asked how a stakeholder analysis might help determine whether any of those suspects might have caused the overflow. Level 3 answers tended to identify the two factors that should be considered in relation to each possible perpetrator: Were they capable of mounting such an attack and were they sufficiently motivated to attack Rotomyne in this way? Answers at this level then offered a logical analysis of each suspect's capability and motivation, which usually enabled the candidate to identify the suspects who were worth investigating. It was not necessary to identify the guilty party, but some good answers offered a reasoned explanation of the most likely suspect. Level 1 answers tended to pay insufficient attention to the requirement, often offering detailed descriptions of the Mendelow model while making no attempt to indicate how the model might be adapted to address the problem in the scenario.

The second sub-task asked how Rotomyne's Board might mitigate the impact of the attack on Rotomyne's share price. Level 3 answers tended to reflect a logical analysis of the concerns that might undermine market confidence. Answers at this level tended to focus on the need for Rotomyne's Board to preserve its credibility. From a governance point of view, it makes more sense for the Board to

accept responsibility for dealing with the damage to the farmland. Level 3 answers also tended to address uncertainties about the likely cost of dealing with the aftermath of the overflow. Answers at this level often stressed the need for transparency in making commitments to assist farmers and in disclosing details of the costs that will be incurred. Level 1 answers tended to lack development, possibly identifying one or two relevant issues, but failing to explain them in any detail.

Task 2

The first sub-task asked for recommendations relating to the Board's management of digital security. Level 3 answers recognised that the requirement focussed on the strategic response to the threat of further attacks. Answers at this level offered logical recommendations and supported them with realistic justifications. Those responses were generally pitched at a strategic level. For example, many level 3 answers included a recommendation that there should be a Board committee or a designated director who would take responsibility for oversight of digital security. Level 1 answers tended to focus on generic controls that might be introduced into any digital security system and that would not require Board-level supervision to implement.

The second sub-task asked for recommendations in relation to the mitigation of the political risks associated with the host government's reaction to the overflow. Level 3 answers tended to provide a range of sensible responses to the risks, with good justification for each. Level 1 answers tended to provide responses but failed to explain why they might be successful. In a real-world setting, senior managers are unlikely to have a great deal of confidence in recommendations that are not accompanied by any justification.

Task 3

The first sub-task asked for a recommendation of the controls that would prevent a recurrence of the attack. Level 3 answers approached this by reflecting on the weaknesses that permitted the attack and by designing controls that would have prevented the unauthorised access. The controls were described and justified in sufficient detail to make it clear that they would be effective. For example, the perpetrator of the attack used a fake identity card that appeared to indicate that he was an engineer employed by a machine vendor. Level 3 answers often reflect the difficulty of dealing with the ease with which a card could be forged and addressed those problems with justification. Level 1 responses tended to be rather less realistic. Answers at that level often failed to address the problem in a realistic manner and offered very little justification.

The second sub-task asked about the manner in which Internal Audit might ensure compliance with the new controls. Level 3 answers offered a range of practical compliance tests that were well integrated with the response to the previous sub-task. Those tests were often very simple but would nevertheless have been highly effective. For example, discussing the new system with operating staff would enable the auditors to be confident that they had been briefed on the new controls. Level 1 answers often demonstrated little real understanding of internal audit. Answers at that level often listed types of audit, some of which were completely irrelevant to the requirement.

Variant 3 Comments on performance

	Designed to test	Core activity
Task 1	How will the lack of sustainability disclosure affect the behaviour of stakeholders?	A - Recommend strategic decisions (digital and otherwise)
	How will the lack of disclosure affect the share price?	C - Recommend and apply business valuation models
Task 2	How might the SAF criteria inform a strategic decision concerning disclosure?	B - Select and apply suitable strategic analytical tools
	What are the implications of linking Board remuneration to environmental performance?	E - Recommend responses to the threats arising from poor governance
Task 3	What factors will determine Rotomyne's continuing freedom to operate in host countries?	D - Evaluate risks and recommend responses and can maintain the corporate risk register
	Would it be advisable for Rotomyne sell mines with higher impacts to manufacturers of batteries for electric vehicles Rotomyne?	A - Evaluate potential acquisitions and divestment opportunities

Task 1

This part of the task was answered well by most candidates, with many achieving a high level 2 or level 3 score. The strongest answers were logical and well structured, most of which considered a reasonable range of relevant and applied stakeholders. The strongest answers selected at least three interested and relevant stakeholders and, importantly, focussed their discussions on the behaviour of each. The strongest level 3 answers covered four or five interested stakeholders and went into detail regarding the impact of the failure of not disclosing transparency regarding the mining activities and the effect this would have on the support for Rotomyne's activities. The majority of discussions related to the downside of the failure to disclose, with very few responses considering why there may be a reluctance to disclose the performance of the mining operations on the climate.

Weaker level 2 and level 1 answers were often poorly structured and failed to generate a sufficient range of applied stakeholders. Weaker answers also spent most of their time describing stakeholders or considering only power or interest with little or no discussion of the impact of this on their behaviour.

The second task in Section 1 required candidates to evaluate the potential impact of Rotomyne's apparent lack of transparency on its share price.

This part of the task was not as well answered as the first part of Section 1. Strong level 2 and Level 3 answers were often focussed on both the short-term and long-term impacts on Rotomyne's share price. The best answers also made good use of the pre-seen material when considering the historical movements of Rotomyne's share price and the impact this could have on this current situation. Stronger answers also considered the potential impact of Rotomyne's high beta factor. High level 2 and level 3 answers also discussed the possibility of speculation and the fact that a reduction in share price may be only a temporary feature of the company's performance.

Weaker level 2 answers tended to often generalise about there being a possible share price fall, with very little discussion given for the reasons for this scenario. Many weaker answers failed to consider at all the focus of shareholders on future cashflows and the impact of this situation on cashflows. Level 1 answers (of which there were very few) were most often theoretical with limited descriptions of the EMH. Candidates are reminded that few, if any, marks are awarded for theoretical answers at this level.

Task 2

This question was reasonably well answered, with many candidates achieving a high level 2 score or above. Most candidates used the three SAF criteria to structure their answers, but in some cases, there was still some clear confusion as to the differences between these three criteria. The strongest answers made good use of the pre-seen material to consider suitability of these disclosures in terms of their fit with Rotomyne's mission, vision and values.

However, lower level 2 answers and level 1 answers lacked clarity and direct application. Some simply stated that the three disclosure recommendations were suitable, acceptable and feasible with very brief detail as to how they reached such a conclusion. Suitability and acceptability were both reasonably well considered by most candidates. The weakest element of most answers related to the feasibility criteria, where very few candidates appeared to understand the concept of such disclosures being feasible and simply stated that Rotomyne appeared to have sufficient financial resources to undertake the reporting, with little supporting arguments for such statements.

The second task in Section 2 asked candidates to evaluate the implications of linking Board remuneration to performance in relation to managing climate change.

This question was well answered overall. The implications of linking Board remuneration to climate change was generally well understood, with many candidates recognising that this may detract directors from the other important considerations relating to company performance. Level 3 answers included the possibility of self-interest coming into the performance and also considered the fact that the changes in climate were difficult to measure and, as such, recognised the problems of creating meaningful and measurable KPI's with which to consider directors' performance. Stronger answers also included the problems of measuring climate change performance for those directors less directly involved in the mining performance, such as HR and Finance.

Weaker level 2 and level 1 responses most often merely described performance measures, with answers often poorly focussed on the potential impacts on directors' behaviour, if such linking of director's remuneration to climate change was to be implemented.

Task 3

This task was answered well, with many candidates scoring a high level 2 mark or above. Many answers covered at least five or six potential factors which would assist in maintaining its operating licenses, including maintaining good relations with the host country governments, R&D investments in improved mining methods, recognizing and managing the impact of its mining activities on local communities and employment considerations. Stronger answers were generally well applied and made good use of the pre-seen and exhibit materials.

Low level 2 and level 1 answers tended to generalise about these issues with little attempt to apply them directly to the nine Rotomyne mines and the six host countries under consideration. However, these answers were quite infrequent, and most candidates performed well on this aspect of the requirement.

The second task in Section 3 asked candidates to evaluate the arguments for and against selling its three brine mines, which cause far more contamination than the hard rock mines, to one of the car manufacturers who buys lithium from Rotomyne's rivals.

This task was well answered, with high level 2 and level 3 answers focusing on the reduction of the pollution effects by removing the third of the problematic brine mining sites. Level 3 answers often considered the impact such closures would have on the overall production of lithium and the ability for Rotomyne to satisfy current demand. The strongest answers also considered the large increase in demand for lithium and the problem of finding alternative sites. They also mentioned the problem of what to do with the surplus funds and the impact these sales would have on the relative market share of Rotomyne. High level 2 and level 3 answers often considered the possibility of the car manufacturing company collaborating with a competitor to impact the market share of Rotomyne.

Lower level 2 responses often merely stated that the sale of the brine mines would provide cash and reduce the impact on reputation, with very few mentioning the fact that these mines would continue in operation and pollution may be exacerbated by them being operated by an inexperienced organisation. There was also some confusion in a small number of candidates who presumed the purchasing car company was a client of Rotomyne. Candidates are reminded to carefully read the material presented to them in the exhibits.

There were very few level 1 answers to this task, but those that were often presented list-based answers or unbalanced answers with little or no consideration of either reasons for or against the sale of brine mines.

Overall, this variant of the examination was well answered, with a large proportion of candidates demonstrating a sound level of understanding of the strategic issues raised in the three sections of the exam.

Variant 4 Comments on performance

	Designed to test	Core activity
Task 1	What are the risks associated with continuing to use traditional mining methods?	D - Evaluate risks and recommend responses and can maintain the corporate risk register
	How do the SAF criteria apply to the application of a new mining method?	B - Select and apply suitable strategic analytical tools
Task 2	How should a potential acquisition be evaluated?	A - Evaluate potential acquisitions and divestment opportunities
	How will the target company's shareholders respond to Rotomyne's policy of paying a smaller dividend?	C - Recommend dividend policy
Task 3	What are the ethical issues associated with addressing the shortcomings of the acquisition's approach to governance?	D - Identify ethical dilemmas and recommend suitable responses
	How might the shortcomings be addressed?	E - Recommend responses to the threats arising from poor governance

Task 1

This task was generally very well answered, with good level 3 responses picking up three or more major risk areas highlighted in the scenario, culminating in the possible withdrawal of the license to mine by the governments in question. Good answers highlighted the impact from reputational, financial and operational points of view and left no doubt as to the critical and strategic nature of these risks. Level 1 answers tended to highlight environmental impact and the need to appease protestors, often failing to realise the possibility of government intervention and the critical impact possible or failing to expand on the risks presented.

The second part of the task was usually answered well. Level 3 answers provided well-structured arguments supporting the criteria and pointing out possible drawbacks. Better answers tended to provide several factors and develop each in turn, highlighting possible problems to be overcome. Suitability confirmed as in line with strategy, already in locations defined with customer so no changes in supply mechanism, more sustainable and as such potentially more attractive to end users. However, it needs a new skill set and is more expensive to operate. Acceptability is shown as much cleaner production methods with less environmental impact, although the solvents used and transport factors could be impactful and would need to be managed, plus increased costs need to be

justified with shareholders. Feasibility revolved around practicalities of conversion to DLE being established, verification of transport routes for setting up and supplying the mines and the geology of the site itself.

Better answers identified and developed details from the scenario provided. Poorer answers were somewhat less detailed and did not usually consider any downsides.

Task 2

This task was answered well by many candidates. High level 2 and level 3 answers gave good positive reasons, including the expansion of capacity and evolution of mining techniques, the fact that both companies are quoted on same exchange, head office synergies in the country and a positive rapid acquisition of skills. They also explored possible downsides, such as a pre-acquisition lack of detailed knowledge on any synergies, a post-acquisition culture merge and staff/skills attrition, doubts on the overall capacity to manage the increased workload and the merging of IT infrastructures.

There were some excellent answers, however, level 1 responses tended to omit any development of arguments or be rather one-sided and only presented the positive aspects.

Candidates were then asked to evaluate the likely response of Leclith's shareholders to Rotomyne's dividend policy.

This was generally answered less well. Level 3 responses highlighted the very different issues of dividend policy, Rotomyne's 90% distribution of profits and Leclith total reinvestment and capital growth preference, suggesting that each would have entirely different categories of shareholders. High level 2 and level 3 answers developed the implications of these two positions, suggesting that potential disinvestment or rejection of the offer may be the outcome unless careful management was used.

Level 1 responses tended to suggest that Leclith shareholders would be glad to get some dividend without really considering the motivation behind their ownership of the shares.

There were some weak answers which were often vague and showed little understanding of shareholders needs and merely gave general theoretical answers. A little less application to the scenario was evident in the weaker answers.

Task 3

This task was answered fairly well by many candidates and there were some very good level 3 responses. There were lots of potential or real "wrongdoings" to evaluate with integrity, confidentiality and objectivity failings to discuss. The underlying poor governance structure creates an environment where these transgressions could exist and persist. Good answers unpicked the facts and explored the reasoning behind them, showing a good understanding of the abuse of power and influence and the poor governance allowing these issues to happen. Level 1 answers discussed the ethical principles without application to the scenario.

Lastly, candidates were instructed to recommend with reasons the factors that the Nomination Committee should take into account in selecting both executive and non-executive directors to serve on Rotomyne's Board. There were some strong level 2 and 3 answers that had a good discussion of the main issues taken from the scenario and demonstrated good application of knowledge.

There were some good level 2 and level 3 responses which considered the role of the Nominations Committee in trying to address the principles of good governance. All existing members of both boards could have been considered in the answers, as their backgrounds, skills and specialisations gave plenty of scope for good discussion. Good responses also highlighted the need to build a new Board with the best executive skills to meet the new needs of the expanded company.

Level 1 answers tended to give a very general discussion on several aspects of governance without any application.

Variant 5 Comments on performance

	Designed to test	Core activity
Task 1	Would the construction of a battery factory in a host country be consistent with Rotomyne's purpose, vision and values?	A – Evaluate strategic options (digital and otherwise)
	What would be the impact of the investment on political risks in the host country?	B - Recommend responses to economic, political and currency risks
Task 2	How should a stakeholder analysis be conducted?	B - Conduct an analysis of stakeholder needs and recommend appropriate responses
	How should the new factory be financed, allowing for both financial and political risks?	C - Recommend suitable sources of finance
Task 3	What are the ethical implications of agreeing to a request for the construction of a hospital in return for permission to build a factory?	D - Identify ethical dilemmas and recommend suitable responses
	How might internal audit be employed to prevent any irregular payments in relation to this investment?	E - Apply internal audit resources

Task 1

Level 3 responses provided good evaluation of the arguments both for and against the battery factory being consistent for each of the mission, vision and values. For example, they considered the fact that whilst the factory would give Rotomyne a greater role in its customers' supply chains, the company has no experience in making batteries and will need to buy in parts and materials. It could be unethical to build the factory as an excuse to continue to operate the evaporation ponds and it seems unlikely that the factory would make Rotomyne more sustainable. The technology of making batteries is established, so it could be argued that Rotomyne is not really innovating, even though the technology is new to Rotomyne.

Level 2 answers were often less well balanced, with some candidates only looking at arguments for or against the factory being consistent, rather than both. Some were not well focussed on the question asked, for example, using the suitability acceptability feasibility model to assess whether or not to go ahead with the battery factory rather than limiting the discussion to consistency with mission, vision and values. Level 1 answers identified issues but did not provide appropriate evaluation.

In the second part of this task, level 3 responses identified and evaluated a good range of issues, such as the fact that the factory could increase the environmental damage Rotomyne does, and that it would increase the assets Rotomyne has in the country and therefore the political risk of those assets being seized. On the other hand, if the government takes a positive view of the battery factory investment, then it may be less likely to take any action, which implies that Rotomyne has not behaved acceptably. Level 2 answers often only identified a very narrow range of issues or constructed an argument that the political risk would be higher or lower without looking at the alternative viewpoint. Level 1 responses often identified factors affecting the political risk that Rotomyne is exposed to but did not provide meaningful evaluation.

Task 2

Level 3 responses identified and discussed three stakeholder groups as required and did so in appropriate detail. Suitable choices included potential customers for the batteries, environmentalists and the Gavlonian Government. Evaluation of the power and interest of each stakeholder was well justified. Level 2 answers identified stakeholders but did not provide as much detailed discussion. Despite the question specifically asking for three stakeholders, some candidates presented arguments for a larger or smaller number. Level 1 answers identified some appropriate stakeholders and their power and interest but did not expand their discussion beyond this.

Candidates were next asked to evaluate the arguments for and against funding the cost of building the factory by borrowing the required P$800 million in G$ from a Gavlonian bank.

Level 3 responses explored two key elements, borrowing the funds rather than raising equity or using an existing cash balance, and borrowing in G$ from a Gavlonian bank. Relevant points raised included debt being cheaper than equity, the tax relief on debt and the currency exposure implications for borrowing in G$. In addition, borrowing from a Gavlonian bank could help to protect Rotomyne from confiscation by the Gavlonian Government. Evaluation was well balanced. Level 2 answers often omitted discussion of the currency exposure issues and did not provide sufficient depth of evaluation. Level 1 answers did not go further than identifying some arguments for or against funding with debt and did not provide evaluation.

Task 3

Level 3 responses presented a balanced range of arguments but concluded that building the hospital would be a breach of the ethical principles of integrity, objectivity and professional competence. Points about the benefit to the local community of the hospital were worth exploring, but the overall conclusion was Rotomyne should not agree to do as the politician has demanded.

Level 2 answers evaluated some issues but often took the view that because the politician was not personally benefitting and that this is not a bribe and Rotomyne should go ahead. Some were concerned that Rotomyne does not have the skills and knowledge to run the hospital, which was not really a relevant point. Level 1 answers correctly identified a number of ethical principles but did not apply them to the scenario or provide evaluation of the issues it presents.

Finally, candidates were asked to recommend with reasons the work that Rotomyne's Internal Audit Department could undertake in order to establish whether bribes are being paid to facilitate the construction of the battery factory.

Level 3 answers provided sensible recommendations about work the internal auditors could do, such as reviewing the systems for authorising expenditure, the total expenditure to date, checking samples of payments to reports on work done and correspondence relating to any changes to budgets. Level 2 answers recommended some work which could be done but often lacked precision, stating that the internal auditors should check expenditure but not stating what it should be checked to or why. Level 1 answers identified some work which could be done but did not provide reasons for the suggestions.

Variant 6 Comments on performance

	Designed to test	Core activity
Task 1	What are the challenges associated with evaluating the economic risks associated with Rotomyne's business?	B - Recommend responses to economic, political and currency risks
	Would it be acceptable for the Board to simply accept this risk?	D - Identify ethical dilemmas and recommend suitable responses
Task 2	What are the implications of currency risks for Rotomyne's beta coefficient?	C - Recommend and apply business valuation models
	Should Rotomyne appoint a treasury specialist to its Board?	E - Recommend responses to the threats arising from poor governance
Task 3	What are the issues associated with three scenarios relating to treasury management?	A - Evaluate strategic options (digital and otherwise)
	How should the company address a cyberattack on its treasury systems?	D - Evaluate and mitigate cyber risks

Task 1

This part of the task was not answered well by most candidates, with very few achieving a high level 2 or level 3 score. The main reason for this was that most failed to answer the question that had been asked, which specifically requested an evaluation of the challenges in understanding the economic risks caused by currency fluctuations. Most candidates merely described the potential currency fluctuations or described the risks identified by the CFO in the exhibit. Very few candidates discussed or evaluated the complexities and challenges that Rotomyne would face in understanding how, for example, it could determine the extent of the impact of currency movements on the buyer behaviour of electric cars, should the price of lithium impact on the final price of a car. Rotomyne would have to evaluate the elasticity of demand, which is likely to be very difficult. Another point that could have been raised was that Rotomyne makes a significant percentage of its revenue from the sale of lithium metal and these customers could buy lithium metal in bulk when the price is favourable and reduce purchases when prices increase. That makes it more challenging for Rotomyne to understand and manage economic risk with respect to this particular product in its portfolio.

Those candidates that did achieve a higher level 2 mark on this task did so because they attempted to consider some challenges and complexities of understanding currency risks caused by currency fluctuations, in particular the recognition of the challenges in managing operations and currencies in 90 different countries.

Weaker level 2 answers were often largely descriptive and most were limited to descriptions of transaction, translation and economic risks in a largely theoretical way, with some but limited reference to the potential challenges of understanding these currency risks.

Level 1 answers were often poorly structured, and these candidates spent most of their time describing economic risk only or currency risk mitigation techniques, which was not asked for and therefore gained little or no credit.

Overall, answers to this task were very disappointing. It was concerning that so few answers demonstrated sufficient understanding of currency risks, particularly in relation to the complexity of Rotomyne's operations. Candidates are reminded to read each task requirements carefully.

The second task in Section 1 required candidates to evaluate the arguments for and against accepting economic currency risks rather than mitigating them.

This part of the task was better answered than the first part of Section 1. Strong level 2 and level 3 answers were well balanced and demonstrated sound understanding of the potential benefits and drawbacks for Rotomyne of mitigating its currency risks. Stronger answers recognised the challenges of attempting to mitigate fluctuations in potentially 90 different countries but also recognised that currency risks are specifically mentioned in the risk register and therefore shareholders would expect a certain degree of risk mitigation to be taking place. Better candidates also discussed the relative strength of the P$ against the S$, in which a significant proportion of Rotomyne's business is carried out and the potential impact of this on whether to mitigate or not.

Weaker level 2 and level 1 answers were often brief and made very little use of the reference material. Such answers were theoretical and descriptive (i.e., listing or describing hedging techniques) without any direct application to Rotomyne.

Task 2

The first task asked candidates to explain whether Rotomyne's exposure to currency risks is likely to have an impact on the company's beta coefficient.

This question was not well answered, with very few candidates achieving a high level 2 score or above. Many candidates demonstrated a significant weakness in the understanding of the factors which impact on a company's beta coefficient, particularly the level of impact of currency risks. Notably, candidates understanding of systematic and unsystematic risk and the factors that influence them was very poor.

The few candidates that managed to score a high level 2 were those that correctly recognised that Rotomyne's high beta coefficient of 1.63 indicated that it has a high systematic risk, meaning its shareholders' return is significantly exposed to changes in the return offered by the stock market as a whole. Better candidates also recognised that it is unlikely that exposure to movements on individual

currencies will affect returns offered by the stock market as a whole, as currency movements affect different companies in different ways. Some stronger answers also explained the main factors that impacted on a company's beta.

However, most answers scored lower level 2 marks, as these answers often went little further than describing the beta coefficient. Most of these answers demonstrated some theoretical understanding of systematic and unsystematic risk, but this was not directly or sufficiently applied to Rotomyne and its currency risks.

Level 1 answers demonstrated little or no understanding of Rotomyne's beta coefficient and could not link in any way the impact or not of its currency risks. These answers went little further than recognising Rotomyne's beta coefficient of 1.63 and that this was high but with no understanding of what this meant.

The second task in Section 2 asked candidates to evaluate the advantages and disadvantages of expanding Rotomyne's Board to include an executive director responsible for treasury management.

This question was well answered overall. Level 3 and high level 2 answers were well balanced and covered a range of well-applied advantages and disadvantages of Rotomyne having an executive director responsible for treasury management. Stronger answers included well applied points specifically referencing issues such as the potential imbalance of the Board in favour of executive directors and also that there could be an overemphasis in the specialism of finance at the expense of other critical areas such as IT.

Weaker level 2 and level 1 responses most often were insufficiently developed or were not well applied to Rotomyne. Some level 1 answers failed to consider either drawbacks or benefits, resulting in an incomplete and unbalanced response.

Task 3

The first task in Section 3 asked candidates to recommend with reasons responses to three specific scenarios: 1) the P$ strengthens against the S$, in which Rotomyne invoices over 40% of its revenue, 2) interest rates in Porrland increase significantly and 3) the IT systems used by the Treasury Department to process payments have been disrupted.

This task was reasonably well answered, with many candidates scoring a high level 2 mark or above. Scenario 1 was generally well answered, although some candidates failed to recognise that Rotomyne invoices in the S$ so any strengthening of the P$ would in fact reduce revenues. Stronger answers discussed a range of possible of hedging techniques to manage potential reductions in revenues. Better answers also considered the need for effective long-term cash flow monitoring and assessment of the possibility of re-negotiating contracts with customers. For scenario 2, higher scoring candidates correctly recommended that Rotomyne could consider fixing their interest rates or consider interest rate swaps. For scenario 3, higher scoring candidates focussed on having a hot back-up facility and having a communication plan to immediately contact key stakeholders in the event of a systems failure. Importantly, candidates scoring high level 2 and level 3 answers presented a good range of well applied recommended responses to the scenarios presented.

Low level 2 and level 1 answers tended to spend too much time describing the impacts of the scenarios rather than on suggesting solutions. Level 1 answers often went little further than merely describing the potential scenario with no suggestion of any responses at all.

The second task in Section 3 asked candidates to recommend with reasons whether or not Rotomyne should pay any ransom that is demanded by criminals who manage to encrypt its files using ransomware.

This task was generally well answered, with many candidates scoring a high level 2 or level 3 mark. These answers were often well balanced, with a discussion of the implications of both paying and not paying a ransom. The highest scoring answers were those that clearly justified and explained the risks of paying a ransom and then concluded, with sound reasoning, that Rotomyne should not pay.

Lower level 2 and level 1 answers were often unbalanced and theoretical. Level 1 answers mainly suggested, without any real justification apart from speed of response, that a ransom should be paid immediately.

Overall, answers to this variant of the February SCS examination were disappointing, demonstrating some serious gaps in syllabus knowledge and understanding. Depth of understanding and application of currency risks and mitigations was generally weak, which was surprising, given the international context of Rotomyne and its operations. Similarly, knowledge and understanding of the significance and key influences of the beta coefficient were clearly lacking and evidence of a lack of focus by candidates on both these areas of the F3 syllabus. This variant has highlighted some significant aspects of the syllabus that students must pay attention to and be prepared to face questions on in future examinations.

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Strategic Level Case Study November 2024 – February 2025

Marking Guidance

Variant 1

About this marking scheme

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- An answer which does not address the requirements of the task must be awarded no marks.
- Markers should mark according to the marking scheme and not their perception of where the passing standard may lie.
- Where markers are in doubt as to the application of the marking scheme to a particular candidate script, they must contact their lead marker.

How to use this levels-based marking scheme

1. Read the candidate's response in full

2. Select the level

- For each trait in the marking scheme, read each level descriptor and select one, using a best-fit approach.
- The response does not need to meet all of the criteria of the level descriptor – it should be placed at the level where it meets more of the criteria of this level than the criteria of the other levels.
- If the work fits more than one level, judge which one provides the best match.
- If the work is on the borderline between two levels, then it should be placed either at the top of the lower band or the bottom of the higher band, depending on where it fits best.

3. Select a mark within the level

- Once you have selected the level, you will need to choose the mark to apply.
- A small range of marks may be given at each level. You will need to use your professional judgement to decide which mark to allocate.
- If the answer is of high quality and convincingly meets the requirements of the level, then you should award the highest mark available. If not, then you should award a lower mark within the range available, making a judgement on the overall quality of the answer in relation to the level descriptor.

Summary of the core activities tested within each sub task

Sub-task	Core activity		Sub-task weighting (% section time)
Section 1			
(a)	**B**	Evaluate business ecosystem and business environment	60%
(b)	**A**	Develop business strategy	40%
Section 2			
(a)	**D**	Evaluate and mitigate risk	50%
(b)	**E**	Recommend and maintain a sound control environment	50%
Section 3			
(a)	**C**	Recommend financing strategies	60%
(b)	**A**	Develop business strategy	40%

SECTION 1			
Task (a) Identify and evaluate the difficulties associated with understanding and managing the ecosystem within which Rotomyne operates.			
Trait			
1st difficulty	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies difficulty	1-2
	Level 2	Identifies and evaluates difficulty	3-4
	Level 3	Identifies and evaluates difficulty with justification	5-6
2nd difficulty	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies difficulty	1
	Level 2	Identifies and evaluates difficulty	2-3
	Level 3	Identifies and evaluates difficulty with justification	4-5
3rd difficulty	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies difficulty	1
	Level 2	Identifies and evaluates difficulty	2-3
	Level 3	Identifies and evaluates difficulty with justification	4-5
4th difficulty	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies difficulty	1
	Level 2	Identifies and evaluates difficulty	2-3
	Level 3	Identifies and evaluates difficulty with justification	4-5

Task (b) Explain how Rotomyne might benefit from applying scenario planning to the possibility that car manufacturers will continue to reduce their use of lithium.			
Trait			
1st benefit	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies benefit	1
	Level 2	Explains benefit	2-3
	Level 3	Explains benefit with justification	4
2nd benefit	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies benefit	1
	Level 2	Explains benefit	2-3
	Level 3	Explains benefit with justification	4
3rd benefit	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies benefit	1
	Level 2	Explains benefit	2-3
	Level 3	Explains benefit with justification	4

SECTION 2			
Task (a) Evaluate the risk register's mitigation for the risk of volatility in demand for lithium.			
Trait			
Monitoring market	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies purpose of mitigation	1-3
	Level 2	Evaluates mitigation	4-6
	Level 3	Evaluates mitigation with justification	7-9
Maintaining relationship	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies purpose of mitigation	1-2
	Level 2	Evaluates mitigation	3-5
	Level 3	Evaluates mitigation with justification	6-8
Task (b) Evaluate the suitability of assigning the responsibility for the volatility risk to the Board as a whole.			
Trait			
Arguments for	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Offers some argument for suitability	1-3
	Level 2	Evaluates arguments for suitability	4-6
	Level 3	Evaluates argument for suitability with justification	7-9
Arguments against	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Offers some argument against suitability	1-2
	Level 2	Evaluates arguments against suitability	3-5
	Level 3	Evaluates argument against suitability with justification	6-8

SECTION 3			
Task (a) Recommend with reasons whether Rotomyne should attempt to maintain its dividend into the year ended 30 September 2025.			
Trait			
1st argument	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies argument for or against maintaining dividend	1-2
	Level 2	Supports recommendation	3-4
	Level 3	Supports recommendation with justification	5-6
2nd argument	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies argument for or against maintaining dividend	1
	Level 2	Supports recommendation	2-3
	Level 3	Supports recommendation with justification	4-5
3rd argument	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies argument for or against maintaining dividend	1
	Level 2	Supports recommendation	2-3
	Level 3	Supports recommendation with justification	4-5
4th argument	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies argument for or against maintaining dividend	1
	Level 2	Supports recommendation	2-3
	Level 3	Supports recommendation with justification	4-5

Task (b) Identify and evaluate the challenges associated with creating an appropriate exit strategy for the divestment of mines.			
Trait			
1st challenge	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies challenge	1
	Level 2	Evaluates challenge	2-3
	Level 3	Evaluates challenge with justification	4
2nd challenge	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies challenge	1
	Level 2	Evaluates challenge	2-3
	Level 3	Evaluates challenge with justification	4
3rd challenge	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Identifies challenge	1
	Level 2	Evaluates challenge	2-3
	Level 3	Evaluates challenge with justification	4

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Strategic Level Case Study November 2024 – February 2025

Marking Guidance

Variant 2

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Summary of the core activities tested within each sub-task

Sub-task	Core activity		Sub-task weighting (% section time)
Section 1			
(a)	**B**	Evaluate business ecosystem and business environment	40%
(b)	**C**	Recommend financing strategies	60%
Section 2			
(a)	**A**	Develop business strategy	60%
(b)	**B**	Evaluate business ecosystem and business environment	40%
Section 3			
(a)	**B**	Evaluate business ecosystem and business environment	50%
(b)	**E**	Recommend and maintain a sound control environment	50%

SECTION 1			
Task (a) Recommend with reasons how a stakeholder analysis might help provide a rational analysis of potential suspects for this attack and so assist the Head of Security with the identification of likely perpetrators.			
Trait			
Power	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Offers reasons	1-2
	Level 2	Recommends reasons	3-4
	Level 3	Recommends reasons with justification	5-6
Interest	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Offers reasons	1-2
	Level 2	Recommends reasons	3-4
	Level 3	Recommends reasons with justification	5-6

Task (b) Recommend with reasons how Rotomyne's Board might mitigate the impact of this attack on the company's share price.			
Trait			
1st mitigation	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes mitigation	1-2
	Level 2	Recommends mitigation	3-4
	Level 3	Recommends mitigation justification	5-6
2nd mitigation	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes mitigation	1
	Level 2	Recommends mitigation	2-3
	Level 3	Recommends mitigation justification	4-5
3rd mitigation	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes mitigation	1
	Level 2	Recommends mitigation	2-3
	Level 3	Recommends mitigation justification	4-5
4th mitigation	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes mitigation	1
	Level 2	Recommends mitigation	2-3
	Level 3	Recommends mitigation justification	4-5

SECTION 2			
Task (a) Recommend with reasons the approach that Rotomyne's Board should take to manage digital security.			
Trait			
Recommendations	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Offers some approaches	1-3
	Level 2	Recommends approaches	4-7
	Level 3	Offers detailed recommendations	8-11
Reasons	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Offers some explanation	1-3
	Level 2	Justifies recommendations	4-7
	Level 3	Offers good justification for recommendations	8-10
Task (b) Recommend with reasons the approach that Rotomyne should take to manage the political risks in Menrodia in relation to the impact of the cyber-attack.			
Trait			
1st recommendation	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes approach	1-2
	Level 2	Recommends approach	3-4
	Level 3	Recommends approach with justification	5-6
2nd recommendation	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes approach	1-2
	Level 2	Recommends approach	3-4
	Level 3	Recommends approach with justification	5-6

SECTION 3			
Task (a) Recommend with reasons the controls that should be introduced to prevent a recurrence of this attack**.**			
Trait			
1st control	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes control	1
	Level 2	Recommends control	2-3
	Level 3	Recommends control with justification	4-5
2nd control	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes control	1
	Level 2	Recommends control	2-3
	Level 3	Recommends control with justification	4
3rd control	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes control	1
	Level 2	Recommends control	2-3
	Level 3	Recommends control with justification	4
4th control	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes control	1
	Level 2	Recommends control	2-3
	Level 3	Recommends control with justification	4

Task (b) Recommend with reasons the work that Rotomyne's Internal Audit Department could undertake to ensure compliance with these new controls.			
Trait			
1st test	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes test	1
	Level 2	Describes test with explanation	2-3
	Level 3	Describes test with justification	4-5
2nd test	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes test	1
	Level 2	Describes test with explanation	2-3
	Level 3	Describes test with justification	4
3rd test	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes test	1
	Level 2	Describes test with explanation	2-3
	Level 3	Describes test with justification	4
4th test	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes test	1
	Level 2	Describes test with explanation	2-3
	Level 3	Describes test with justification	4

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Strategic Level Case Study November 2024 – February 2025

Marking Guidance

Variant 3

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Summary of the core activities tested within each sub-task

Sub-task	Core activity		Sub-task weighting (% section time)
Section 1			
(a)	**A**	Develop business strategy	40%
(b)	**C**	Recommend financing strategies	60%
Section 2			
(a)	**B**	Evaluate business ecosystem and business environment	50%
(b)	**E**	Recommend and maintain a sound control environment	50%
Section 3			
(a)	**D**	Evaluate and mitigate risk	60%
(b)	**A**	Develop business strategy	40%

SECTION 1			
Task (a) Evaluate the potential impact of this apparent lack of transparency in relation to factors affecting climate change on the behaviour of our stakeholders, other than our shareholders.			
Trait			
Stakeholder interest	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes stakeholder interest in transparency	1-2
	Level 2	Evaluates stakeholder interest in transparency	3-4
	Level 3	Evaluates stakeholder interest in transparency with justification	5-6
Stakeholder power	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes stakeholder needs in relation to power	1-2
	Level 2	Evaluates stakeholder needs in relation to power	3-4
	Level 3	Evaluates stakeholder needs in relation to power with justification	5-6

Task (b) Evaluate the potential impact of our apparent lack of transparency on our share price.			
Trait			
1st issue	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes issue	1-2
	Level 2	Evaluates issue	3-4
	Level 3	Evaluates issue with justification	5-6
2nd issue	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes issue	1
	Level 2	Evaluates issue	2-3
	Level 3	Evaluates issue with justification	4-5
3rd issue	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes issue	1
	Level 2	Evaluates issue	2-3
	Level 3	Evaluates issue with justification	4-5
4th issue	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes issue	1
	Level 2	Evaluates issue	2-3
	Level 3	Evaluates issue with justification	4-5

SECTION 2			
Task (a) Evaluate the relevance of the suitability, acceptability and feasibility (SAF) criteria for deciding whether to offer the disclosures listed by Professor Jayawardena.			
Trait			
Suitability	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes relevance	1-2
	Level 2	Evaluates relevance	3-4
	Level 3	Evaluates relevance with justification	5-6
Acceptability	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes relevance	1-2
	Level 2	Evaluates relevance	3-4
	Level 3	Evaluates relevance with justification	5-6
Feasibility	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes relevance	1
	Level 2	Evaluates relevance	2-3
	Level 3	Evaluates relevance with justification	4-5

Task (b) Evaluate the implications of linking Board remuneration to performance in relation to managing climate change.			
Trait			
1st implication	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes implication	1-2
	Level 2	Evaluates implication	3-4
	Level 3	Evaluates implication with justification	5-6
2nd implication	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes implication	1-2
	Level 2	Evaluates implication	3-4
	Level 3	Evaluates implication with justification	5-6
3rd implication	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes implication	1
	Level 2	Evaluates implication	2-3
	Level 3	Evaluates implication with justification	4-5

SECTION 3			
Task (a) Recommend with reasons the factors that Rotomyne should consider in relation to maintaining its licence to operate in the six host countries.			
Trait			
1st factor	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes factor	1-2
	Level 2	Recommends factor	3-4
	Level 3	Recommends factor with justification	5-6
2nd factor	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes factor	1
	Level 2	Recommends factor	2-3
	Level 3	Recommends factor with justification	4-5
3rd factor	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes factor	1
	Level 2	Recommends factor	2-3
	Level 3	Recommends factor with justification	4-5
4th factor	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes factor	1
	Level 2	Recommends factor	2-3
	Level 3	Recommends factor with justification	4-5

Task (b) Evaluate the arguments for and against selling our three brine mines, which cause far more contamination than our hard rock mines, to one of the car manufacturers who buys lithium from our rivals.			
Trait			
Arguments for	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes arguments for sale	1-2
	Level 2	Evaluates arguments for sale	3-4
	Level 3	Evaluates arguments for sale with explanation	5-6
Arguments against	**Level**	**Descriptor**	**Marks**
		No rewardable material	0
	Level 1	Describes arguments against sale	1-2
	Level 2	Evaluates arguments against sale	3-4
	Level 3	Evaluates arguments against sale with explanation	5-6

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Strategic Level Case Study November 2024 – February 2025
Marking Guidance
Variant 4

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- If the work fits more than one level, judge which one provides the best match.
- If the work is on the borderline between two levels, then it should be placed either at the top of the lower band or the bottom of the higher band, depending on where it fits best.

3. Select a mark within the level

- Once you have selected the level, you will need to choose the mark to apply.
- A small range of marks may be given at each level. You will need to use your professional judgement to decide which mark to allocate.
- If the answer is of high quality and convincingly meets the requirements of the level, then you should award the highest mark available. If not, then you should award a lower mark within the range available, making a judgement on the overall quality of the answer in relation to the level descriptor.

Summary of the core activities tested within each sub-task

Sub-task	Core activity		Sub-task weighting (% section time)
Section 1			
(a)	**D**	Evaluate and mitigate risk	40%
(b)	**B**	Evaluate business ecosystem and business environment	60%
Section 2			
(a)	**A**	Develop business strategy	50%
(b)	**C**	Recommend financing strategies	50%
Section 3			
(a)	**D**	Evaluate and mitigate risk	40%
(b)	**E**	Recommend and maintain a sound control environment	60%

SECTION 1			
Task (a) Evaluate the risks to Rotomyne arising from continuing to use traditional brine mining methods.			
Trait			
1st risk	**Level**	**Descriptor**	**Marks**
		No rewardable material	**0**
	Level 1	Identifies risk	**1**
	Level 2	Evaluates risk	**2-3**
	Level 3	Evaluates risk with justification	**4-5**
2nd risk	**Level**	**Descriptor**	**Marks**
		No rewardable material	**0**
	Level 1	Identifies risk	**1**
	Level 2	Evaluates risk	**2-3**
	Level 3	Evaluates risk with justification	**4**
3rd risk	**Level**	**Descriptor**	**Marks**
		No rewardable material	**0**
	Level 1	Identifies risk	**1**
	Level 2	Evaluates risk	**2-3**
	Level 3	Evaluates risk with justification	**4**
Task (b) Evaluate the proposal on the basis of the suitability, acceptability and feasibility (SAF) criteria.			
Trait			
Suitability	**Level**	**Descriptor**	**Marks**
		No rewardable material	**0**
	Level 1	Identifies criterion	**1-2**
	Level 2	Evaluates in terms of criterion	**3-5**
	Level 3	Evaluates in terms of criterion with justification	**6-7**
Acceptability	**Level**	**Descriptor**	**Marks**
		No rewardable material	**0**
	Level 1	Identifies criterion	**1-2**
	Level 2	Evaluates in terms of criterion	**3-5**
	Level 3	Evaluates in terms of criterion with justification	**6-7**
Feasibility	**Level**	**Descriptor**	**Marks**
		No rewardable material	**0**
	Level 1	Identifies criterion	**1-2**
	Level 2	Evaluates in terms of criterion	**3-4**
	Level 3	Evaluates in terms of criterion with justification	**5-6**

SECTION 2			
Task (a) Recommend with reasons the factors that Rotomyne should take into account in deciding whether to acquire Leclith.			
Trait			
1st factor	**Level**	**Descriptor**	**Marks**
		No rewardable material	**0**
	Level 1	Identifies factor	**1-2**
	Level 2	Offers recommendation for factor	**3-4**
	Level 3	Offers recommendation for factor with justification	**5-6**
2nd factor	**Level**	**Descriptor**	**Marks**
		No rewardable material	**0**
	Level 1	Identifies factor	**1-2**
	Level 2	Offers recommendation for factor	**3-4**
	Level 3	Offers recommendation for factor with justification	**5-6**
3rd factor	**Level**	**Descriptor**	**Marks**
		No rewardable material	**0**
	Level 1	Identifies factor	**1**
	Level 2	Offers recommendation for factor	**2-3**
	Level 3	Offers recommendation for factor with justification	**4-5**
Task (b) Evaluate the likely response of Leclith's shareholders to Rotomyne's dividend policy.			
Trait			
1st response	**Level**	**Descriptor**	**Marks**
		No rewardable material	**0**
	Level 1	Identifies response	**1-2**
	Level 2	Evaluates response	**3-4**
	Level 3	Evaluates response with justification	**5-6**
2nd response	**Level**	**Descriptor**	**Marks**
		No rewardable material	**0**
	Level 1	Identifies response	**1-2**
	Level 2	Evaluates response	**3-4**
	Level 3	Evaluates response with justification	**5-6**
3rd response	**Level**	**Descriptor**	**Marks**
		No rewardable material	**0**
	Level 1	Identifies response	**1**
	Level 2	Evaluates response	**2-3**
	Level 3	Evaluates response with justification	**4-5**

SECTION 3			
Task (a) Evaluate the ethical issues arising from the points made in Iresh's email.			
Trait			
1st issue	**Level**	**Descriptor**	**Marks**
		No rewardable material	**0**
	Level 1	Identifies issue	**1**
	Level 2	Evaluates issue	**2-3**
	Level 3	Evaluates issue with justification	**4-5**
2nd issue	**Level**	**Descriptor**	**Marks**
		No rewardable material	**0**
	Level 1	Identifies issue	**1**
	Level 2	Evaluates issue	**2-3**
	Level 3	Evaluates issue with justification	**4**
3rd issue	**Level**	**Descriptor**	**Marks**
		No rewardable material	**0**
	Level 1	Identifies issue	**1**
	Level 2	Evaluates issue	**2-3**
	Level 3	Evaluates issue with justification	**4**
Task (b) Recommend with reasons the factors that the Nomination Committee should take into account in selecting both executive and non-executive directors to serve on Rotomyne's Board.			
Trait			
Executive directors	**Level**	**Descriptor**	**Marks**
		No rewardable material	**0**
	Level 1	Identifies factors	**1-3**
	Level 2	Offers recommendations for factors	**4-7**
	Level 3	Offers recommendations for factors with justification	**8-10**
Non-executive directors	**Level**	**Descriptor**	**Marks**
		No rewardable material	**0**
	Level 1	Identifies factors	**1-3**
	Level 2	Offers recommendations for factors	**4-7**
	Level 3	Offers recommendations for factors with justification	**8-10**

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Strategic Level Case Study November 2024 – February 2025

Marking Guidance

Variant 5

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3. Select a mark within the level

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Summary of the core activities tested within each sub-task

Sub-task	Core activity		Sub-task weighting (% section time)
Section 1			
(a)	**A**	Develop business strategy	60%
(b)	**B**	Evaluate business ecosystem and business environment	40%
Section 2			
(a)	**B**	Evaluate business ecosystem and business environment	40%
(b)	**C**	Recommend financing strategies	60%
Section 3			
(a)	**D**	Evaluate and mitigate risk	50%
(b)	**E**	Recommend and maintain a sound control environment	50%

SECTION 1			
Task (a) Evaluate the argument that building and operating a battery factory in Gavlonia would be consistent with Rotomyne's mission, vision and values.			
Trait			
Mission	**Level**	**Descriptor**	**Marks**
		No rewardable material	**0**
	Level 1	Offers argument	**1-2**
	Level 2	Evaluates argument	**3-5**
	Level 3	Evaluates argument with consistency	**6-7**
Vision	**Level**	**Descriptor**	**Marks**
		No rewardable material	**0**
	Level 1	Offers argument	**1-2**
	Level 2	Evaluates argument	**3-5**
	Level 3	Evaluates argument with consistency	**6-7**
Values	**Level**	**Descriptor**	**Marks**
		No rewardable material	**0**
	Level 1	Offers argument	**1-2**
	Level 2	Evaluates argument	**3-4**
	Level 3	Evaluates argument with consistency	**5-6**
Task (b) Evaluate the impact that the factory would have on the political risks associated with operating in Gavlonia.			
Trait			
1st impact	**Level**	**Descriptor**	**Marks**
		No rewardable material	**0**
	Level 1	Identifies impact	**1**
	Level 2	Evaluates impact	**2-3**
	Level 3	Evaluates impact with justification	**4-5**
2nd impact	**Level**	**Descriptor**	**Marks**
		No rewardable material	**0**
	Level 1	Identifies impact	**1**
	Level 2	Evaluates impact	**2-3**
	Level 3	Evaluates impact with justification	**4**
3rd impact	**Level**	**Descriptor**	**Marks**
		No rewardable material	**0**
	Level 1	Identifies impact	**1**
	Level 2	Evaluates impact	**2-3**
	Level 3	Evaluates impact with justification	**4**

SECTION 2			
Task (a) Evaluate the power and interest of the three main stakeholder groups who will be affected by the factory's location and design, as discussed in Andrey's email.			
Trait			
1st stakeholder	**Level**	**Descriptor**	**Marks**
		No rewardable material	**0**
	Level 1	Identifies stakeholder power and interest	**1**
	Level 2	Discusses stakeholder impact on decisions	**2-3**
	Level 3	Discusses stakeholder impact on decisions with justification	**4-5**
2nd stakeholder	**Level**	**Descriptor**	**Marks**
		No rewardable material	**0**
	Level 1	Identifies stakeholder power and interest	**1**
	Level 2	Discusses stakeholder impact on decisions	**2-3**
	Level 3	Discusses stakeholder impact on decisions with justification	**4**
3rd stakeholder	**Level**	**Descriptor**	**Marks**
		No rewardable material	**0**
	Level 1	Identifies stakeholder power and interest	**1**
	Level 2	Discusses stakeholder impact on decisions	**2-3**
	Level 3	Discusses stakeholder impact on decisions with justification	**4**
Task (b) Evaluate the arguments for and against funding the cost of building the factory by borrowing the required P$800 million in G$ from a Gavlonian bank.			
Trait			
1st argument	**Level**	**Descriptor**	**Marks**
		No rewardable material	**0**
	Level 1	Identifies argument	**1**
	Level 2	Evaluates argument	**2-3**
	Level 3	Evaluates argument with justification	**4-5**
2nd argument	**Level**	**Descriptor**	**Marks**
		No rewardable material	**0**
	Level 1	Identifies argument	**1**
	Level 2	Evaluates argument	**2-3**
	Level 3	Evaluates argument with justification	**4-5**
3rd argument	**Level**	**Descriptor**	**Marks**
		No rewardable material	**0**
	Level 1	Identifies argument	**1**
	Level 2	Evaluates argument	**2-3**

	Level 3	Evaluates argument with justification	**4-5**
4th argument	**Level**	**Descriptor**	**Marks**
		No rewardable material	**0**
	Level 1	Identifies argument	**1**
	Level 2	Evaluates argument	**2-3**
	Level 3	Evaluates argument with justification	**4-5**

SECTION 3			
Task (a) Evaluate the ethical implications of Rotomyne agreeing to provide the hospital.			
Trait			
1st implication	**Level**	**Descriptor**	**Marks**
		No rewardable material	**0**
	Level 1	Identifies principle	**1**
	Level 2	Evaluates implication in relation to principle	**2-3**
	Level 3	Evaluates implication in relation to principle with justification	**4-5**
2nd implication	**Level**	**Descriptor**	**Marks**
		No rewardable material	**0**
	Level 1	Identifies principle	**1**
	Level 2	Evaluates implication in relation to principle	**2-3**
	Level 3	Evaluates implication in relation to principle with justification	**4**
3rd implication	**Level**	**Descriptor**	**Marks**
		No rewardable material	**0**
	Level 1	Identifies principle	**1**
	Level 2	Evaluates implication in relation to principle	**2-3**
	Level 3	Evaluates implication in relation to principle with justification	**4**
4th implication	**Level**	**Descriptor**	**Marks**
		No rewardable material	**0**
	Level 1	Identifies principle	**1**
	Level 2	Evaluates implication in relation to principle	**2-3**
	Level 3	Evaluates implication in relation to principle with justification	**4**

Task (b) Recommend with reasons the work that Rotomyne's Internal Audit Department could undertake in order to establish whether bribes are being paid to facilitate the construction of the battery factory.			
Trait			
1st recommendation	**Level**	**Descriptor**	**Marks**
		No rewardable material	**0**
	Level 1	Identifies work	**1**
	Level 2	Recommends work with reasons	**2-3**
	Level 3	Recommends work with reasons and justification	**4-5**
2nd recommendation	**Level**	**Descriptor**	**Marks**
		No rewardable material	**0**
	Level 1	Identifies work	**1**
	Level 2	Recommends work with reasons	**2-3**
	Level 3	Recommends work with reasons and justification	**4**
3rd recommendation	**Level**	**Descriptor**	**Marks**
		No rewardable material	**0**
	Level 1	Identifies work	**1**
	Level 2	Recommends work with reasons	**2-3**
	Level 3	Recommends work with reasons and justification	**4**
4th recommendation	**Level**	**Descriptor**	**Marks**
		No rewardable material	**0**
	Level 1	Identifies work	**1**
	Level 2	Recommends work with reasons	**2-3**
	Level 3	Recommends work with reasons and justification	**4**

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Marking Guidance

Variant 6

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Summary of the core activities tested within each sub-task

Sub-task	Core activity		Sub-task weighting (% section time)
Section 1			
(a)	**B**	Evaluate business ecosystem and business environment	60%
(b)	**D**	Evaluate and mitigate risk	40%
Section 2			
(a)	**C**	Recommend financing strategies	50%
(b)	**E**	Recommend and maintain a sound control environment	50%
Section 3			
(a)	**A**	Develop business strategy	60%
(b)	**D**	Evaluate and mitigate risk	40%

SECTION 1			
Task (a) Identify and evaluate the challenges associated with understanding the economic risks faced by Rotomyne in relation to currency fluctuations.			
Trait			
1st challenge	**Level**	**Descriptor**	**Marks**
		No rewardable material	**0**
	Level 1	Identifies challenge	**1**
	Level 2	Evaluates challenge	**2-3**
	Level 3	Evaluates challenge with justification	**4-5**
2nd challenge	**Level**	**Descriptor**	**Marks**
		No rewardable material	**0**
	Level 1	Identifies challenge	**1**
	Level 2	Evaluates challenge	**2-3**
	Level 3	Evaluates challenge with justification	**4-5**
3rd challenge	**Level**	**Descriptor**	**Marks**
		No rewardable material	**0**
	Level 1	Identifies challenge	**1**
	Level 2	Evaluates challenge	**2-3**
	Level 3	Evaluates challenge with justification	**4-5**
4th challenge	**Level**	**Descriptor**	**Marks**
		No rewardable material	**0**
	Level 1	Identifies challenge	**1**
	Level 2	Evaluates challenge	**2-3**
	Level 3	Evaluates challenge with justification	**4-5**
Task (b) Evaluate the arguments for and against accepting economic currency risks rather than mitigating them.			
Trait			
Arguments for	**Level**	**Descriptor**	**Marks**
		No rewardable material	**0**
	Level 1	Identifies arguments	**1-2**
	Level 2	Evaluates arguments	**3-5**
	Level 3	Evaluates arguments with justification	**6-7**
Arguments against	**Level**	**Descriptor**	**Marks**
		No rewardable material	**0**
	Level 1	Identifies arguments	**1-2**
	Level 2	Evaluates arguments	**3-4**
	Level 3	Evaluates arguments with justification	**5-6**

SECTION 2			
Task (a) Explain whether Rotomyne's exposure to currency risks is likely to have an impact on the company's beta coefficient.			
Trait			
1st argument	**Level**	**Descriptor**	**Marks**
		No rewardable material	**0**
	Level 1	Identifies argument	**1-2**
	Level 2	Explains argument	**3-4**
	Level 3	Explains argument with justification	**5-6**
2nd argument	**Level**	**Descriptor**	**Marks**
		No rewardable material	**0**
	Level 1	Identifies argument	**1-2**
	Level 2	Explains argument	**3-4**
	Level 3	Explains argument with justification	**5-6**
3rd argument	**Level**	**Descriptor**	**Marks**
		No rewardable material	**0**
	Level 1	Identifies argument	**1**
	Level 2	Explains argument	**2-3**
	Level 3	Explains argument with justification	**4-5**
Task (b) Evaluate the advantages and disadvantages of expanding Rotomyne's Board to include an executive director responsible for treasury management.			
Trait			
Advantages	**Level**	**Descriptor**	**Marks**
		No rewardable material	**0**
	Level 1	Identifies advantages	**1-3**
	Level 2	Evaluates advantages	**4-6**
	Level 3	Evaluates advantages with justification	**7-9**
Disadvantages	**Level**	**Descriptor**	**Marks**
		No rewardable material	**0**
	Level 1	Identifies disadvantages	**1-2**
	Level 2	Evaluates disadvantages	**3-5**
	Level 3	Evaluates disadvantages with justification	**6-8**

SECTION 3			
Task (a) Using a scenario planning approach, recommend with reasons responses to each of the following scenarios.			
Trait			
P$ strengthens	**Level**	**Descriptor**	**Marks**
		No rewardable material	**0**
	Level 1	Describes response	**1-2**
	Level 2	Recommends response	**3-5**
	Level 3	Recommends response with justification	**6-7**
Interest rates increase	**Level**	**Descriptor**	**Marks**
		No rewardable material	**0**
	Level 1	Describes response	**1-2**
	Level 2	Recommends response	**3-5**
	Level 3	Recommends response with justification	**6-7**
Payments system disrupted	**Level**	**Descriptor**	**Marks**
		No rewardable material	**0**
	Level 1	Describes response	**1-2**
	Level 2	Recommends response	**3-4**
	Level 3	Recommends response with justification	**5-6**

Task (b) Recommend with reasons whether or not Rotomyne should pay any ransom that is demanded by criminals who manage to encrypt our files using ransomware.			
Trait			
1st reason	**Level**	**Descriptor**	**Marks**
		No rewardable material	**0**
	Level 1	Describes reason	**1**
	Level 2	Recommends reason	**2-3**
	Level 3	Recommends reason with justification	**4-5**
2nd reason	**Level**	**Descriptor**	**Marks**
		No rewardable material	**0**
	Level 1	Describes reason	**1**
	Level 2	Recommends reason	**2-3**
	Level 3	Recommends reason with justification	**4**
3rd reason	**Level**	**Descriptor**	**Marks**
		No rewardable material	**0**
	Level 1	Describes reason	**1**
	Level 2	Recommends reason	**2-3**
	Level 3	Recommends reason with justification	**4**