

2021 Corporate Risk Management Survey Key findings – Germany

November 2021



Corporate risk management perspectives – Germany

Strategic evolution of treasury & risk focus today



Strategic evolution of treasury: Strong role & performance of German treasurers confirmed

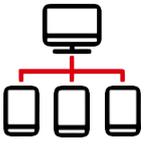


Risk focus today: A return to traditional tasks and challenges on FX hedging

- ◆ 95% of German CFOs agree the role of Treasury has dramatically changed during the pandemic (vs. 82% globally)
- ◆ This has been an opportunity to increase the strategic value of Treasury and German treasurers have taken this on very well:
 - with 81% of CFOs (vs. only 41% globally) seeing a key Treasury role in strategic decisions
 - the same percentage being completely confident in Treasury holding the required skills to play such role (vs. 47% globally)
- ◆ Enablers for this are strong & efficient communication as well as freeing up sufficient time for a more strategic focus which both have worked well for German treasurers:
 - 71% of German CFOs viewing the communication with Treasury as highly effective (vs. 37% globally) with the same percentage stating an improving trajectory
 - 76% see their Treasury as a strategic resource for their business units as well (vs. 51% globally)
 - 62% (vs. 30% globally) have outsourced some day-to-day treasury functions with 77% of those reporting a raise in Treasury's strategic role and process efficiency as a result
- ◆ Cash has become king again during the pandemic with a strong focus on liquidity management and cash flow forecasting:
 - 95% of German CFOs are seeing sufficient cash buffers and optimized working capital as more important vs. three years ago
 - Cash flow and liquidity has also been the primary topic for Finance discussions with the CEO (for 57% in Germany / 45% globally)
 - For 50% of German Treasurers cash flow forecasting & monitoring is one of the most important tasks and 72% of CFOs already view their Treasury as „best-in-class“ here
- ◆ As a rise of protectionism globally is the most frequent macro concern for German CFOs (48% vs. 39% overall):
 - A majority (81% vs. 78% globally) has moved supply chains and logistics centres closer to customers as a reaction
- ◆ FX risk continues to be an area with room for improvement
 - 96% of CFOs (80% globally) say FX risk has become more important with 73% (57%) reporting lower earnings due to unhedged FX risk
 - Only 24% of German CFOs (in line with global view) see their Treasury as best in class for FX risk management and 33% would like to see an improvement.
 - While 87% of German treasurers are managing forecasted FX cash flows (vs. 75% globally) and doing thus to a larger extent than their international peers, 73% (vs. 45%) find the underlying data accuracy the largest difficulty in doing thus

Corporate risk management perspectives – Germany

The role of Technology & New frontiers ahead



Technology as enabler and differentiator: German corporates ahead of the curve

- ◆ German treasuries started digitization early and have thrived on the experience:
 - 66% of German corporates have seen a material impact on their risk management strategy from digitization over the past 3y (41% global)
 - 95% of German CFOs (81% globally) and 78% of treasurers (70%) say that digitization has become more important in the past 3y
 - 81% of German corporates are using an external TMS solution vs. 54% globally and 30% (18%) have automated their cash flow forecasts
 - 66% of German Corporates execute FX hedges via multilateral trading platforms predominantly, compared to 45% globally
- ◆ The digital journey is not complete yet:
 - In line with global sample, 68% of German treasurers expect a material impact from digitization over the next 3y and 72% (vs. 53% globally) would like to further grow their expertise in that area
 - Also in line, 86% of German CFOs expect a positive impact on their company's business model from digitization over the next 3-5y
- ◆ Blockchain technologies are entering the agenda from the top
 - 100% of German CFOs expect a future use case for in their company (97% globally)
 - For use cases themselves, German CFOs are more optimistic on Cryptocurrencies (52% vs. 26% globally) with the same number seeing a benefit to easier and leaner trade documentation
 - 25% of German treasurers already use blockchain technology or have a project in scope but 52% are skeptical on any use case developing



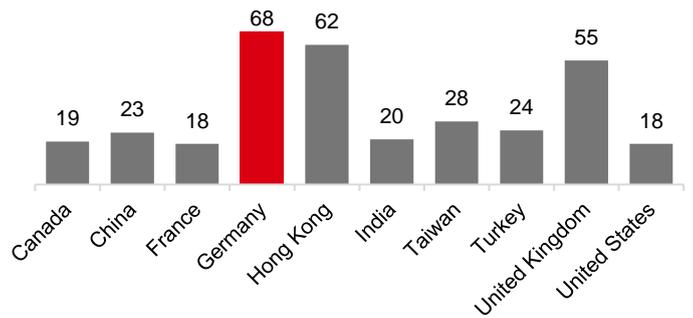
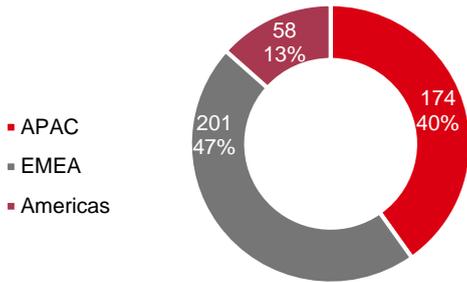
The road ahead – new frontiers and themes: ESG to play a much bigger role and cautious optimism on growth

- ◆ ESG spans across all areas of financial decisions:
 - more than 90% each of German CFOs regarding ESG criteria as important for capex allocation, sales logistics, financial debt and investments as well as FX and IR hedging – in line with global data
 - 71% of German CFOs (41% globally) say they are to predominantly use ESG-linked financing – however only 19% of treasurers (16%) expect to have more than half of their debt tied to ESG in 5y time
 - 57% of German CFOs say they are likely to invest resources in ESG risk in the next 12 months (vs. 68% globally)
- ◆ Adjustments to debt portfolios not only for ESG are expected:
 - 38% of German CFOs (33% globally) see rising inflation as one of two main macro concerns
 - 67% of German CFOs (45% globally) expect to increase the portion of fixed-rate debt – but 80% of treasurers do not see substantial change
- ◆ More positive attitude towards renewable energy and E-mobility
 - 72% see a positive impact from energy transformation (only 35% globally) and 67% (50%) expect the same from E-mobility
- ◆ As German corporates look for international growth opportunities, rising protectionism (48%) is a large concern:
 - 52% look to grow over the next 3y via M&A (25% globally), with other parts of Europe (81%) and US (52%) seen as main growth markets
 - A strong global rebound from the pandemic is seen as important growth driver as well (57%), while only 14% are looking to EM as main growth factor (vs. 52% globally)

Appendix

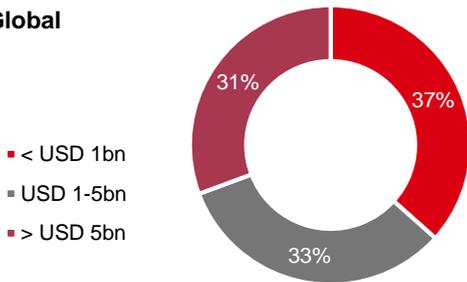
Treasury survey statistics for global and German participation

GEOGRAPHICAL SPLITS (REGIONS AND TOP 10 COUNTRIES)

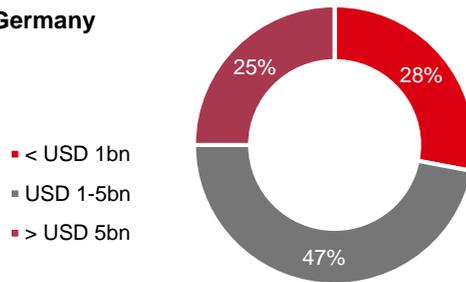


BUSINESS SIZE SPLITS

Global

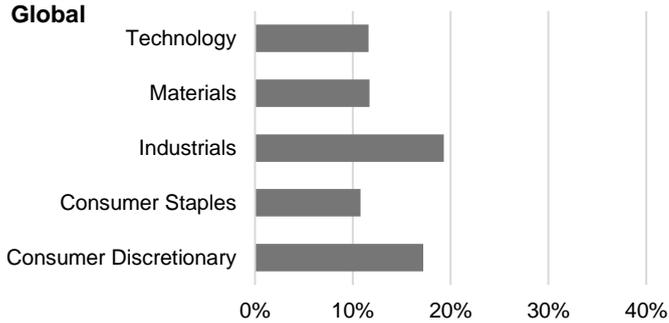


Germany

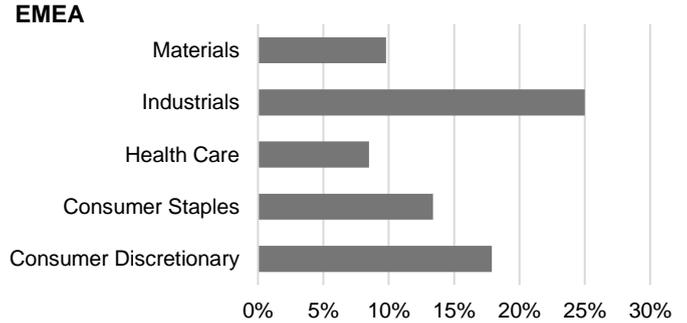


MAIN SECTORS (TOP 5)

Global



EMEA



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For more information on this survey, you can also read the report here:
gbm.hsbc.com/rethinking-treasury-2021

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