



MANAGING RISK IN CHALLENGING ECONOMIC TIMES



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ABOUT THIS REPORT

In July-August 2016 The Economist Intelligence Unit (EIU), on behalf of Deutsche Bank, surveyed 150 senior corporate treasury executives and 150 CFOs to find out how they are managing risk in challenging economic times. Respondents were drawn from across the world, with 100 in the Americas, 100 in Europe, the Middle East and Africa, and 100 in Asia-Pacific. Of these, 200 represent companies with US\$2bn-5bn in annual revenue, the remainder companies with US\$5bn and above.

Executives were drawn from a wide range of sectors, including financial services (11%); healthcare, pharmaceuticals and biotechnology (10%); telecommunications (10%); conglomerates (10%); construction and real estate (7%); automotive (7%); energy and natural resources (6%); consumer goods (5%); chemicals (4%); retailing (3%); and transport, travel and tourism (3%).

In addition, The EIU conducted a series of in-depth interviews in July-August 2016 with 20 senior treasury and finance executives at corporations from around the world. Our thanks are due to the following for their time and insight (listed alphabetically):

- Aron Akesson, regional treasurer, Asia, Carlsberg Breweries
- Christian Bauwens, senior vice president and treasurer, Flextronics
- Rando Bruns, group treasurer, Merck
- Mario Del Natale, director, treasury operations, systems and applications, Johnson Controls
- Sean Feng, finance director, Asia, Continental
- Anthony Fitzgerald, group treasurer, CRH
- Tony Glasby, VP treasurer, PayPal
- Johnny Ho, head of regional treasury (Greater China and Japan), Nokia
- Mark Kirkland, group treasurer, Constellation
- Alex Koh, Asia Pacific treasurer, WPP
- Elaine Lou, director, international treasury, AT&T
- François Masquelier, chairman, Association of Corporate Treasurers of Luxembourg (ATEL)
- Jan-Martin Nufer, director, treasury, Borealis
- Vivian Peng, vice president and Asia treasurer, Flextronics
- Russell Phillips, head of treasury , Asia Pacific, British American Tobacco
- Michael Sack, head of treasury and financing, Sivantos
- Grégory Sanson, chief financial officer, Bonduelle

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- Edoardo Sirtori, vice president and head of treasury, Asia, STMicroelectronics
- Fernando Storch, corporate treasurer, Gerdau
- Douglas Tropp, corporate treasurer, The Priceline Group

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EXECUTIVE SUMMARY

Risk management within an organisation is a corporate treasurer's *raison d'être*. At the same time, the job of corporate treasury is to create a suitable capital structure of debt and equity to fund the business. Hence, striking a balance between cost and risk is fundamental. This study explores the key macro and financial risks that corporate treasurers of large multinational corporations face and how they intend to manage them over the next 12 months. It examines what the evolving risk landscape means for the day-to-day role of the treasurer, the skill set required of treasury professionals, and the technological trends within corporate treasury.

Against the backdrop of a volatile global macroeconomic environment in 2016, economic growth is the top concern for corporate treasurers. However, foreign-exchange volatility and regulatory developments are also seen as important sources of risk. By contrast, treasurers tend to have a neutral view of the short-term impact of Brexit (many are still making an assessment about its potential impact), although they expect stronger repercussions further down the road. Negative interest rates compound the uncertain outlook, forcing many treasurers to adapt their policies.

Technological innovation is common at treasury functions, but it is largely limited to process optimisation, such as standardisation and automation. Corporate treasurers remain sceptical about the benefits offered by financial technology (fintech) companies. Innovation and a stronger company focus on risk management are trends supporting the movement towards a larger role of corporate treasury within the company. That said, significant obstacles to expanding the role persist, not least communication deficits.

The key findings of the white paper are as follows:

Uncertainty about economic growth is the top concern of treasurers worldwide.

The result is the same regardless of where they are located, although the response is particularly prevalent in Europe. The time treasurers spend on managing risk has increased perceptibly, and many acknowledge that they struggle to keep up with macroeconomic developments. The fact that more treasurers expect the outlook to improve rather than deteriorate provides a silver lining.

Survey respondents seem fairly neutral about the fallout from the recent vote by British citizens to leave the EU.

However, the referendum outcome is generally seen as having compounded the economic downside risks. Most believe that Brexit does not pose an immediate business threat, but at the same time many see a negative hit in the medium term, when growth is expected to slow as a result of Brexit and customers might scale down purchases.

Low or even negative interest rates are triggering significant policy changes in cash management.

Few survey respondents see low and negative interest rates as a top risk,

even though many have had to implement changes to their policies and systems as a result of the low interest-rate environment. Expanding or modifying investment strategies for excess cash are the preferred ways of adapting treasury management strategies in light of the interest-rate environment. Many are also reducing cash holdings while relying on contingent bank lines.

Despite the intention to reduce cash holdings, the overwhelming majority of survey respondents still say they maintain fairly large amounts of excess cash. The above-mentioned concerns about the global macroeconomic environment drive companies to hold more cash. But there is also an intention to invest: waiting for future investment opportunities is one of the main reasons for holding excess cash. This also suggests that the low borrowing costs have whetted companies' appetite for acquisitions, with many treasurers expressing concerns that this may already be pushing company valuations to unhealthy levels.

Regulatory developments continue to keep corporate treasurers busy. Survey respondents say that they already spend huge amounts of time on compliance but fear that there is more to come, with almost 80% saying that they expect the compliance workload to remain as high as it is or even to increase. This avalanche of new regulatory requirements has spawned a palpable sense of frustration among many treasurers, especially with regulation that is seen as creating high burdens without delivering any tangible benefits. Moreover, treasurers say that tighter Know Your Customer (KYC) requirements have slowed down some treasury processes, notably opening up bank accounts. Several also worry that the higher compliance costs, along with higher capital ratios for financial institutions, could cause banks to become more selective. Regulation is thus not just seen as a nuisance but also as a potential threat to bank relationships.

Respondents welcome technological change but do not necessarily embrace it. Most corporate treasurers say they are happy to drive technological change at their functions, but they also describe themselves as risk-averse and usually prefer to wait for technological innovations to mature before adopting them. This reluctance to introduce technological change partly accounts for the low level of fintech penetration in treasury functions. There is also a significant element of disappointment, as many treasurers say that not all of their expectations have been met by recent projects. Still, treasury functions are making progress in upgrading their technological capabilities, with many saying that an increased focus on user experience and data accessibility has become a force of transformational change. Data dashboards are perhaps the most important manifestation of that development, and many treasurers express the hope that better data visualisation could be a launch pad for higher awareness of treasury topics throughout the organisation.

Treasury functions are expanding their remits, especially into risk management and capital allocation. The survey results and interviews show that the movement towards an expanding role of treasury has not abated. Even though the pace may be gradual at

times, it is continuous. Stronger involvement in risk management and capital allocation, in particular in mergers and acquisitions (M&A) and working-capital management, are areas where treasurers are consulted at an increasingly early stage. Naturally, there is still plenty of room for treasurers to improve the visibility and influence of their function within the overall organisation, with many citing a lack of awareness of treasury issues among the top leadership as well as a general communication deficit as hurdles to expanding their roles.

INTRODUCTION

Times have changed, and markedly so. The talk about liquidity that loomed large in the first few years after the financial crisis is over and has been replaced with concern about volatility, global growth and the debilitating effects of negative interest rates.

This means that new challenges lie ahead. The UK's Brexit vote has once again demonstrated that high-impact, low-probability risks, also known as black swan events, are perhaps more common than many corporate treasurers would have thought possible just a few years ago. Treasurers are on a persistently high-risk alert as a result, and a relentless focus on risk management has become the norm, presumably driving a strong improvement in risk-management capabilities.

However, these new challenges have also increased uncertainty. While technological improvements in the treasury function, such as standardisation and automation, have enabled treasurers to devote more time to risk analysis and management, the seemingly uninterrupted stream of unprecedented global events keeps eating into these achievements. This creates a new sense of uncertainty among treasurers each time they have made progress elsewhere. Their continuous quest for visibility and predictability has become an uphill struggle.

This report aims to support corporate treasurers in their race against uncertainty. It starts with an analysis of the macro risk environment (Chapter 1) and then looks at how treasurers manage cash in a zero interest-rate environment (Chapter 2). Regulatory challenges are examined in Chapter 3, followed by an analysis of technological change in Chapter 4. The final chapter brings together insights from the preceding chapters and examines what these challenges and opportunities mean for the evolving role of treasury.



CHAPTER 1: MACRO RISK ENVIRONMENT

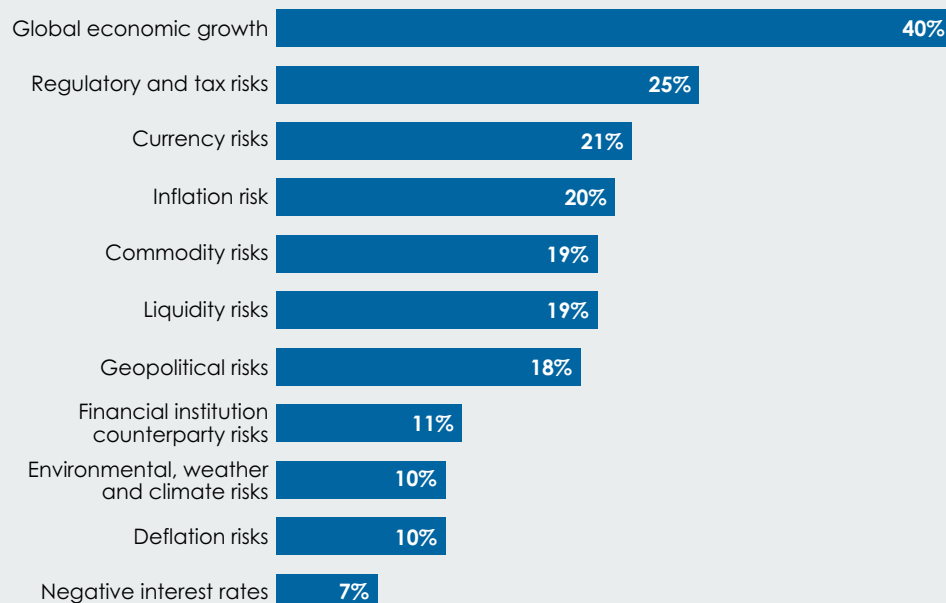
Risk assessment and management are at the very heart of corporate treasury, and treasurers have a unique view on regional and global risk scenarios. Their risk perception informs each decision they take, be it on cash management, funding choices or foreign-exchange exposure, and their views on risk are among the most valuable contributions they can make to the company as a whole.

Lack of growth is top risk

Global uncertainty pervades the current risk outlook for corporate treasurers. In the survey, two out of five survey respondents select global growth as one of their top three risks, making it by far the most frequently cited concern; it was also the top risk in last year's survey (see chart 1).

Chart 1: Macro and financial risks

Of the following macro and financial risks, which will be the most serious to your firm's finances over the next 12 months? Please select up to three.
(% respondents)



Source: Economist Intelligence Unit survey, July-August 2016.

Global institutions, such as the IMF, have repeatedly cut their forecasts as growth is slowing in emerging markets, most notably in China, and Europe has been shaken by the fallout from the UK's vote to leave the EU. Even though many governments and central banks have launched sizeable stimulus programmes, there is little hope that

economic activity will rebound anytime soon. The subdued level of growth that has prevailed for some years now is likely to persist.

"There was growth in the 1990s because of the boom after the Berlin Wall came down, then in the noughties there were the new technologies. It's not clear to me where growth can come from now," says Mark Kirkland, group treasurer at Constellium, a global manufacturer of aluminium products. "What is clear is that Japan has been trying to stimulate growth for a long time and has not met the success they were expecting."

Although the preoccupation with growth revealed by the survey is pronounced in all three regions examined in this report, it is particularly strong in Europe (see chart 2). The economy here has arguably been growing at its slowest rate over the past years, and recent events have weakened the already muted outlook further. This result underlines how European businesses are especially hard pressed to devise innovative ways of coping with stagnation.

Chart 2: Concerns about global economic growth per region

Respondents who chose "global economic growth" among the top three most serious risks to their firm's finances over the next 12 months.

(% respondents)



Source: Economist Intelligence Unit survey, July-August 2016.

"We are very cautious about the next 12 months. What we expect is a very slow pace of growth in Europe, and perhaps no growth at all," confirms Grégory Sanson, CFO of Bonduelle, a French producer of processed vegetables. "The uncertainty is bad for the business, and it's bad for the consumer."

The perception of economic uncertainty has already had strong repercussions for corporate treasurers, the survey shows. Two-

thirds of respondents say that the amount of time they spend on managing that risk has increased, and almost 30% say it has risen "a lot", again putting it far ahead of any other risk category.

In addition, the challenge posed by slow economic growth is not just that it is time-consuming. It also appears that it can at times be overwhelming, with over half of survey participants (55%) acknowledging that their function struggles to keep abreast of the rapidly changing macroeconomic environment. Some treasurers interviewed for this report state that they are devising new ways of reacting to unfolding events more rapidly, others indicate that unexpected macro incidents, such as the currency volatility triggered by the UK's Brexit vote, have been a tough test for their risk-management systems.

Neutral about short-term Brexit impact, more concerned about the medium term

The recent Brexit vote is seen as having compounded the economic downside risks, although most treasurers believe that a UK departure from the EU does not pose an immediate threat to their business. Only one in three treasurers surveyed thinks that it will have a negative effect on their company's finances over the next two years. In the in-depth interviews for this study some treasurers even acknowledge that they have booked surprising profits because of Brexit as the vote was followed by a drop in the pound against major currencies. Russell Phillips, head of treasury, Asia Pacific, at UK-based multinational cigarette-maker British American Tobacco (BAT), calls the Brexit effect "an unexpected upside".

Many more, however, are worried about the medium-term implications of the unprecedented political development: 43% of survey respondents expect a negative or very negative hit to their firm's finances in 3-5 years' time (see chart 3).

Chart 3: Brexit

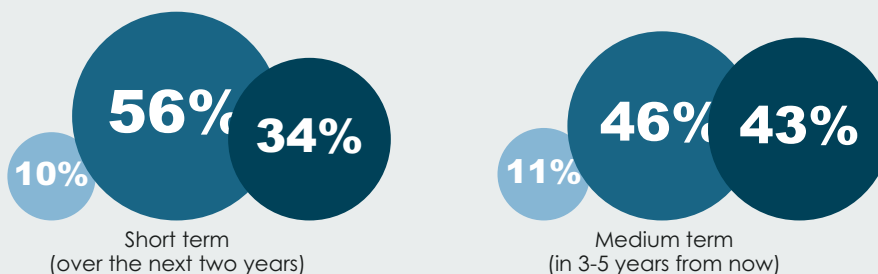
How is the UK's exit from the EU likely to affect your firm's finances?

(% respondents)

● (Very) positively/
(very) favourably

● No net effect/
neutral

● (Very) negatively/
(very) unfavourably



Source: Economist Intelligence Unit survey, July-August 2016.

"Brexit will only have a small effect on us... We are hedged against sudden short-term volatility," says Jan-Martin Nufer, director, treasury, at Austria-based multinational chemicals and plastics manufacturer Borealis. "We're more concerned about the long term, about our British customers and how Brexit will impact them. It's not primarily the pound; it's the health of the economy."

A British EU exit is also unlikely to lead to any relocation of European treasury units from the UK to other European jurisdictions, such as Ireland or the Netherlands, argues François Masquelier, chairman of the Association of Corporate Treasurers of Luxembourg (ATEL) and group treasurer at a large European entertainment company, in effect dismissing as unlikely a prediction about the potential consequences of Brexit that was commonly heard in the run-up to the vote.

Regulation and foreign-exchange volatility are runner-up risks

Other challenges exacerbate the economic uncertainty. Expanding regulatory requirements and foreign-exchange volatility seem to be particularly strong concerns among corporate treasurers. Tax and regulation and foreign exchange (FX) are the second- and third-biggest risks mentioned in the survey. A detailed discussion of the regulatory challenges can be found in Chapter 3 of this report.

"Volatility, that's the thing right now. The last month has been more volatile than anything we've ever seen," explains Aron Akesson, Asia regional treasurer at Carlsberg Breweries, referring to June 2016, when the Brexit referendum took place. The currency movements seen ahead of the vote and in its immediate aftermath have calmed down a little since then, but volatility still remains high, and treasurers continue to be on edge.

Despite the higher expected volatility, however, few treasurers indicate in their interviews that they have implemented or plan to implement major changes to their risk management. "At Nokia, we have quite a comprehensive risk-management methodology. Even now, with the UK's Brexit vote, the risks are adequately identified and addressed," says Johnny Ho, head of regional treasury (Greater China and Japan) at Nokia, echoing similar comments by his peers.

What this may suggest is that the boost to most treasury units' risk assessment and reaction capabilities that has taken place since 2007-08 has proved to be largely sufficient to cope with the latest onslaught of negative macroeconomic surprises. Perhaps even more importantly, the survey results indicate that treasurers do not think that the outlook is all that bad, the heightened uncertainty notwithstanding. Over the next 12 months a higher proportion of respondents expect the global macroeconomic risk environment to improve (39%) rather than worsen (29%). Almost one-third of respondents believe it will remain unchanged.

However, the interviews also highlight that some treasurers remain concerned about the extreme frequency of high-impact, low-probability events seen over the past months and years, demonstrating that risk-management systems are not up to scratch and that new hedging strategies will have to be devised. "What's happening in the UK, this black swan event, will be a big hit to our risk-management processes. Our existing risk-management systems are not able to accommodate a black swan event every year," says Sean Feng, Asia finance director at Continental, a multinational car-parts supplier based in Germany. "Since worldwide volatility is something we'll need to accept, the biggest discussion is how to change the systems." Natural hedging and 100% hedging are options being explored by Continental, Mr Feng adds.



CHAPTER 2: MANAGING CASH IN A ZERO INTEREST-RATE ENVIRONMENT

Years of economic stagnation and near-deflation have caused many central banks around the world to slash interest rates, sometimes to below zero. While this has largely ended the liquidity crunch experienced by many corporate treasurers during the financial crisis, the unprecedented financial landscape has brought about a whole new set of parameters: borrowing costs have plunged, while investments have stopped generating any meaningful yields unless they are risky or have long maturities, forcing treasurers to look for new ways of putting their cash to work.

The difficult macroeconomic climate notwithstanding, 80% of companies still hold fair or even large amounts of excess cash, the survey shows, the same percentage as in last year's survey. It is not surprising, therefore, that "expanding or modifying investment strategies for excess cash" is the preferred way (cited by 69%) to adapt treasury management strategies in light of low and sometimes even negative interest rates in many markets (see chart 5).

Concerns about the global macroeconomic environment appear to be one important reason driving companies to hold more cash: those that have accumulated "large amounts of excess cash" (28% of respondents) are markedly more concerned about global economic growth than the survey group overall (50% vs 40%), and they are also less likely to think that the global macroeconomic risk environment will improve over the next year than the overall sample (26% vs 39%). The main reason to hold cash is "waiting for future investment opportunities" (see chart 4).

No yield on investments

One of the foremost tasks of corporate treasurers is to manage their companies' cash, and here the priorities have shifted decidedly compared with previous years. While securing liquidity was the core challenge during the financial crisis, the aim now is to achieve positive yields on cash as the protracted period of low and sometimes even negative interest rates has radically diminished the universe of asset classes that still produce any significant return.

The situation presents corporate treasurers with a tough choice: they can decide to put their company's money into riskier assets and lock it up for longer to drive up the yield, or they can choose to spurn higher yields and focus on safety and liquidity instead, which would force them to accept returns very close to or even at 0%.

"The current rates environment is not conducive to returns from excess cash investment, especially in the euro area. Even in Asia, the investment return is so low, it is hardly a compensation at all for our excess cash to be continued to be deployed," says Mr Ho of Nokia. "But we don't have much choice in the current regulatory environment in China,

Chart 4: Reasons for excess cash

You indicated that your company has fair or large amounts of excess cash. Why do you hold this excess cash? Please select all that apply.

(% respondents)



Source: Economist Intelligence Unit survey, July-August 2016.

where we can only invest locally, so we invest with MMFs [money market funds] and relationship banks."

The fact that banks are struggling with the same problem—that is, how to achieve a return on their deployed capital—does not make it any easier for treasurers to find a solution to the conundrum. "Banks want the money for 31 days or longer, so they can satisfy the liquidity ratios. That's why you see all those bank products coming out saying: 'Hey, we'll give you yield if you leave your money with us'," says Douglas Tropp, group corporate treasurer at US-based online travel-services provider The Priceline Group. "For me, that's not an acceptable risk. I'm not looking to lock up daily operating liquidity with a bank for 31 days or longer. Financial flexibility wins over short-term yield enhancement."

Unperturbed treasurers, changed policies

Given these challenges, the low share (6%) of survey respondents citing negative interest rates as a top-three risk is surprising. Another finding, showing that only 15% of respondents have encountered problems in achieving high yields over the past 12 months, likewise suggests that most corporate treasurers and CFOs participating in the survey are not overly concerned about the low interest-rate environment.

As with Brexit, however, some treasurers acknowledge that negative interest rates, while creating few immediate risks to their business, could lead to macroeconomic disruptions further down the road. "We have a short-term advantage from low interest rates," says Rando Bruns, group treasurer at pharmaceutical company Merck, noting that the company's borrowing costs are sometimes negative. The European Central

Bank (ECB) has started buying some of Merck's bonds as part of its corporate-bond purchasing programme, he adds. "But the bigger concern is that negative rates create bubbles. Those bubbles will burst at some point. So we're concerned from a long-term perspective."

Our survey also reveals that many corporate treasurers are working hard to meet the challenge posed by low and negative interest rates, with half of respondents saying that managing investment portfolios has become more time-consuming over the past 12 months. Of the one-fifth of treasurers who say that their companies have no (or only low) levels of excess cash, almost half indicate that negative interest rates are the main reason for that decision—the second-most frequent answer after "We are focusing on using cash to pay bills, creditors and suppliers as early as possible".

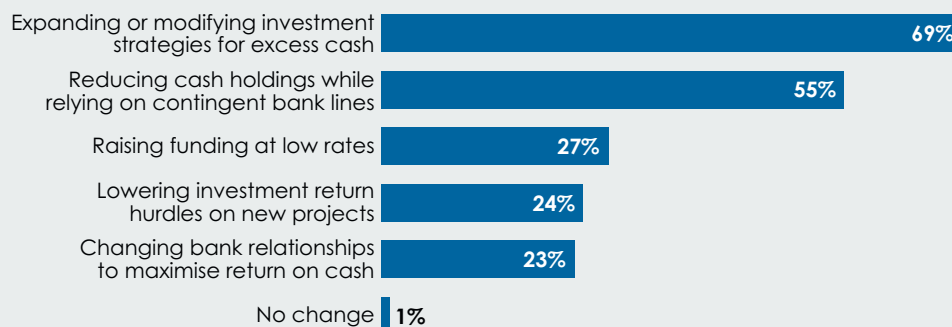
Indeed, 99% of survey respondents say they have adapted their treasury management strategies in response to the low interest-rate environment (see chart 5). The top answer is modifying investment strategies for excess cash, closely followed by the intention to reduce cash holdings while relying on contingent bank lines. Funding strategies are also changing, several treasurers say, as holding cash is being abandoned in favour of alternative sources of financing, such as committed bank facilities, for example.

Chart 5: Response to low interest-rate environment

Given low and sometimes even negative interest rates in many markets, how have you adapted your treasury management strategies?

Please select all that apply.

(% respondents)



Source: Economist Intelligence Unit survey, July-August 2016.

"You get a bit of a double-edged choice with cash. Economic uncertainty is a good argument to have large cash buffers available. But then you have to deal with the issue of very low or negative interest rates and the cost of carrying that cash buffer," explains Anthony Fitzgerald, group treasurer at CRH, a global building materials company based in Ireland. "So we also look at overall liquidity and maintain large, undrawn committed credit facilities in addition to cash. We have also looked at alternative sources of funding, for example the US commercial paper market and more diversified capital markets."

Mr Bruns describes how Merck has implemented changes to its investment policies in response to low interest rates, explaining that the treasury function is putting less money into money-market funds and leaving less with banks, instead shifting it to corporate investments such as commercial papers. Mr Fitzgerald adds that asset yields have not yet turned negative, but he also says that this would be “difficult to maintain” if the ECB chose to cut rates even further in the future.

On the acquisition trail

Clearly, low interest rates can also be a boon for treasurers. Tasked with securing financing, several interviewees point out that the current environment has its bright side. Around one-quarter of survey respondents say they have raised funding as a result of low or negative interest rates. “Money is cheap, that’s a very good thing,” says Mr Phillips at BAT. “Japan is awash with liquidity. The banks are frantically trying to lend out money and put it to work. If you have a good name and credit standing, there is ready access to liquidity.”

With money readily available, many businesses are eager to spend it. In the interviews, several treasurers confirm that their companies are on the lookout for acquisitions, saying that low rates and gushing liquidity mean that there is no shortage of finance for potential deals. And as mentioned above, by far the main reason cited by our survey respondents to keep high levels of excess cash is that they are waiting for investment opportunities.

There may be a flip side. Several treasurers warn that they are beginning to see price exaggerations. “Many companies are sitting on cash, which would be *per se* excellent for growth—but it also has an impact on the valuations of companies in the market. Prices are going up,” explains Mr Nufer of Borealis. “Just having enough cash doesn’t mean you’ll find your dream target. Careful and conservative selection is more important than ever.”

Not all companies necessarily heed that advice, according to CRH’s Mr Fitzgerald, who predicts that some of the decisions on mergers and acquisitions (M&As) taken today that are largely driven by low borrowing costs may come back to haunt their makers once rates rebound. Another treasurer interviewed for this report adds that he sees a high chance of macroeconomic conditions taking a turn for the worse, potentially ushering in a repricing in the market.

Fewer options for treasurers

There are other, less immediate ramifications from low interest rates, some treasurers say. A potential threat to financial counterparties is one aspect that is frequently mentioned. For example, money-market funds, one of the most important asset classes for corporate treasurers, may be hit, and some may even disappear if low or negative rates persist for a few more years, Mr Masquelier of ATEL warns. Another potential

problem stemming from negative interest rates is regulatory, he adds. "You can't really tell a subsidiary to put the money in the cash pool and then charge negative rates when current accounts are still at zero percent. It makes intra-company relationships very difficult under BEPS [base erosion and profit shifting] and new TP [transfer pricing] rules, as we must apply a spread/margin on each deal."

Michael Sack, head of treasury and financing at Sivantos, a Singapore-based maker of hearing-aids, adds that low rates could also prove a problem for financing options in the sub-investment-grade corporate spectrum. Noting that Sivantos's high-yield bond is now only yielding 4%, Mr Sack says that high-yield investors need a certain level of return to compensate them for the risk. "With yields falling, they may eventually go away, and funding might dry up for us."



CHAPTER 3: REGULATORY CHALLENGES

Negative interest rates are one long-term consequence of the financial crisis; the wave of financial regulation sweeping the world is another. Corporate treasurers are at the receiving end of that wave, and many express frustration with its duration and intensity. But with new regulation coming their way, few expect that the workload will get less anytime soon.

New regulation in the pipeline

Our survey clearly shows that regulation is a top concern of corporate treasurers and CFOs. It is the second-most important risk cited by respondents, and it takes up much of their working day, with four in ten respondents saying that the time they spend on tax and regulatory issues is set to increase over the next 12 months, in many cases strongly so. Only around one-fifth say it will decrease (see chart 6).

"There are various regulations we're concerned about, mainly in relation to the central clearing rules for derivatives as outlined in EMIR [European Market Infrastructure Regulation] and Dodd Frank [the Wall Street Reform and Consumer Protection Act]. The challenge is for us to understand how that will apply in the various Asian jurisdictions we operate in," says Edoardo Sirtori, vice president and head of treasury, Asia, at French-Italian chip manufacturer STMicroelectronics. "Even though many corporates are likely to be exempt from clearing, we will still need to know which derivatives need to be cleared, what the reporting requirements and associated costs are."

And the regulatory wave has not run its course yet. The G20 have recently adopted a wide-ranging agreement on base erosion and profit-shifting (BEPS) that is likely to erect compliance barriers to intra-company loans and thus make intra-company financing more difficult for corporate treasurers. Meanwhile, new international financial reporting standards, such as IFRS 9, 15 and 385, will soon become effective or have already taken effect, placing new reporting requirements on many treasury functions.

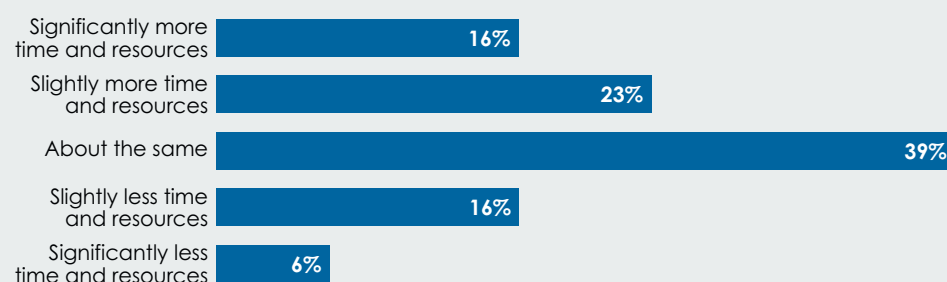
This renewed flurry of regulatory activity has not only pushed BEPS and accounting standards to the top of treasurers' regulatory agenda; it also means that most treasurers do not think that they will be able to cut down on the amount of time spent on compliance and tax work. Almost 40% think the workload brought on by regulation will remain unchanged, and another 40% expect that it will actually increase. In many cases, this may reduce the resources treasurers can devote to other tasks, potentially constraining them in their ability to meet the demands placed on them by the trends towards expanding treasury remits (see Chapter 5).

The growing compliance burden seems to have become a significant driver of automation in treasury functions, with several interviewees expressing the need for better solutions for corporate treasurers in this area (see Chapter 4).

Chart 6: Expected time and resources spent on regulatory and/or tax changes

Please indicate to what extent you expect any changes to the time and resources you spend on keeping up with, and implementing, regulatory and/or tax changes over the next 12 months. Please select one.

(% respondents)



Source: Economist Intelligence Unit survey, July-August 2016.

Frustration with regulation seen as useless

Having experienced several years of increasingly onerous compliance burdens, several treasurers express frustration with some pieces of regulation that are seen as creating a lot of work without delivering any perceived benefits, such as greater transparency or stability in the financial system.

Several interviewees single out EMIR as a particularly egregious case. "One piece of regulation that I find particular [bothersome] is EMIR. We've been reporting our trades for two years, and we've had zero matching. I know for a fact that it's not just CRH—it's industry-wide," says Mr Fitzgerald. "EMIR is, in my mind, a complete failure and worse—a complete waste of time and resources."

Mandatory reporting of exchange-traded derivatives under EMIR entered into force in 2015, and the European Association of Corporate Treasurers (EACT) has repeatedly submitted position papers to the European Securities and Markets Authority (ESMA), the watchdog in charge of implementing and enforcing EMIR, criticising the cost and workload imposed on treasurers by the regulation.

Although few treasurers see any benefits in EMIR, ATEL's Mr Masquelier actually refers to it as a positive example: "Many people complain about regulation—I don't. The good news about regulation is that it has forced us to revisit our processes and sell investment internally. It's also brought about an increased focus on internal controls to mitigate risk."

It should also be stressed that the majority of treasurers show a high level of understanding for most pieces of regulation, in spite of their rising frustration. Many say that more rules should be welcomed for as long as they achieve the intended outcome and the resulting compliance burden is not disproportionate. "Controls, compliance, requirements—that's all part of the new life. You've got to take it and incorporate it," says Fernando Storchi, corporate treasurer at Brazilian steelmaker Gerdau. "It makes businesses less flexible and less agile, but it's worthwhile because it increases controls. It's also a step towards a better world, with less corruption."

KYC is a burden on treasurers—and banks

Many treasurers also express concern about the rising tide of Know Your Customer (KYC) rules and anti-money laundering (AML) regulation, saying that it is proving an increasing obstacle to doing business in certain regions. Opening accounts is cited as one example where these requirements have had tangible repercussions, lengthening the process to around six weeks.

Several treasurers therefore urge banks to come up with innovative solutions aimed at reducing the onerous KYC paperwork, suggesting that they should introduce industry-wide documentation standards. Mr Sack of Sivantos points to a dedicated website, KYC.com, as one interesting example of how technological innovation can enable standardisation and thus lower the compliance burden on corporate treasurers.

But many corporate treasurers seem much more concerned that the growing compliance burdens are less of a direct problem for them and more of a problem for banks. The costs are seen by treasurers as further eroding the profit on equity banks can achieve, potentially resulting in more selective risk-taking by the banks in their client relationships. "The banks are much more selective, and KYC costs are very high. Our business is small and we are rated single-B, so many banks don't necessarily want to cater to this kind of business anymore," says Mr Sack. "We're somewhat fortunate because we used to be Siemens and have many bank relationships that we can rely on."

The growing KYC challenge is exacerbated by higher capital requirements and low interest rates, which likewise eat into profit margins, some treasurers say. They add that these burdens on banks are already leading to changes in how banks interact with their corporate clients. "We're having more and more conversations with banks as Basel III kicks in about the types and geography of their services to us. Negative interest rates are exacerbating those problems," says Tony Glasby, VP treasurer at US-based multinational e-payment business PayPal. "So Basel III, negative rates and a volatile economic cycle are causing banks to take a close look at who their customers are, and some are pulling out of certain geographies."

Regional developments are important

Many treasurers point out that regional developments play an important role in their regulatory workload. Asian treasurers, in particular, single out the end to Chinese cash sweeps, implemented by the authorities earlier in the year to the surprise of all affected treasurers, as one particularly important recent example. The suddenness of that decision also highlights how regulatory risks tend to be more pronounced in emerging markets as authorities are more likely to implement unexpected changes, some treasurers say.

"In China, what people used were crossborder sweeps. About half a year ago we were told to stop," says Mr Akesson of Carlsberg. "Perhaps we were a little bit spoiled by the gradual easing of things. The liberalisation of the renminbi was very smooth. This was the first time something was rolled back."

Nokia's Mr Ho mentions a new value-added tax regime in China as another important development. "For China, the greatest change has come from the replacement of the business tax with a value-added tax. There are a lot of things that need clarification," Mr Ho says. "Currently we only invest in plain vanilla deposits or MMFs. But we want to see clarity on other investments to determine whether those are viable for us."



CHAPTER 4: TECHNOLOGICAL CHANGE

Treasury functions are undergoing significant change. Not only are they becoming increasingly sophisticated, largely thanks to progress towards standardisation and automation, but they are also beginning to leverage the benefits brought about by digitisation, albeit only gradually.

Driven by the innovations spawned in Silicon Valley, technological disruption has become a media buzzword. But the truth is that few treasury functions are looking for disruption. Continuity and reliability are much more important to them, which perhaps explains (at least in part) why adoption of those technologies by most corporate treasurers seems to be happening at a moderate pace at best.

Treasurers are open to change...

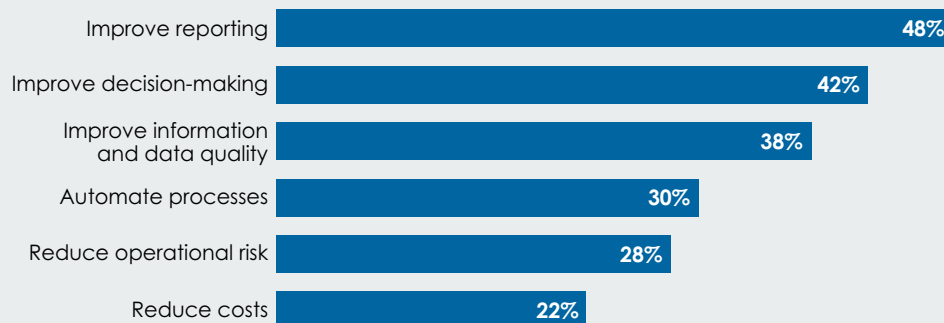
Most treasurers say they embrace technological change and point out that they are accelerating the adoption of new technologies in their functions. More than seven in ten respondents (73%) agree that the adoption of new technologies is gaining momentum in their company's treasury department (an even higher share the 68% than in last year's survey). The majority also agree that the strong focus on better performance through the use of technologies has transformed treasury functions, with more than two-thirds (68%) describing the current level of technology infrastructure in their company's treasury departments as sophisticated or even highly sophisticated. These changes have had a profound impact, enabling treasurers to improve reporting, decision-making and data quality significantly (see chart 7).

The survey did not specifically ask for the most common technological changes, but the interviews suggest that automation and standardisation projects are at the heart of technological change. The clear majority of corporate treasurers who indicate that the use of cloud-based technologies and outsourcing is on the rise in their functions seems to confirm that observation. But there appears to be a need for further improvement in technology to boost automation capabilities: less than one-third of respondents are convinced that the technology in their company's treasury department is able to automate processes.

"Technology is a great enabler for many industries, breaking down internal and external borders, providing vast amounts of data and having the ability to process the data at high speeds," says Alex Koh, Asia Pacific treasurer at advertising company WPP. "Treasury functions need to leverage technology to analyse information and identify risks. This may have been difficult before the era of big data and increased computing power, but the capabilities are fast becoming available."

Chart 7: Technological capabilities in treasury departments

Please indicate whether technology in your company's treasury department is able to do the following tasks. Please select all that apply.
(% respondents)



Source: Economist Intelligence Unit survey, July-August 2016.

More than eight in ten respondents say that they have either implemented technological change at their business over the past 12 months, or that they intend to do so over the next 12 months, or both, highlighting that most treasurers are keen to improve their function's technological capabilities further.

...but reluctant to embrace it

Yet surprisingly little seems to have happened since foreign-exchange platforms burst onto the scene some ten years ago. "The biggest game changer for us has been online FX dealing platforms," says Mr Phillips of BAT, echoing similar observations from many other corporate treasurers, who are hard pressed to identify any technological innovation in the past decade that would rival the platform's importance for treasury functions, notwithstanding the unparalleled boom of social networks, the cloud and hand-held devices since then.

Two mutually reinforcing trends may largely account for this phenomenon. First, many treasurers, who are frequently one of their company's foremost stewards of financial risks, are risk-averse both by nature and training. Simply jumping on the next technological bandwagon goes against their grain. "We are not early adopters," says Mr Sanson of Bonduelle, citing a lack of technical staff that could be tasked with vetting the solutions on offer as a reason for his cautious approach. "We prefer to wait until things have stabilised."

In addition to risk aversion among treasurers, the interviews also reveal a widespread perception that the solutions on offer simply do not meet all requirements, suggesting that part of treasurers' hesitation with respect to adopting new technologies is rooted in their belief that the right products and services are not yet available.

"You almost cannot find one TMS [treasury management system] that currently provides full solutions to all treasury functions," says Vivian Peng, vice president and Asia treasurer at Flextronics, a US-based multinational supply-chain solution company. "Each solution gives you only one part of the solution; most can solve cash visibility. But you would need more functions. I believe this is an area that could be further developed in the treasury world."

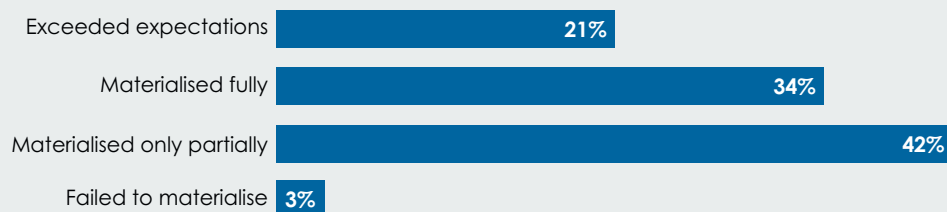
A few treasurers predict that companies with enterprise resource planning (ERP) systems will increasingly use the treasury modules contained in that software. "At the top end, I think they are replacing TMS with ERP modules," Mr Kirkland of Constellium notes. "The smaller companies without ERP are likely to stick with TMS, but I think the whole TMS landscape is changing towards renting the system."

That general scepticism against existing solutions is compounded by a certain amount of disillusionment with the benefits that previous system upgrades have delivered, with 42% of survey respondents saying that their expectations had been met only partially (see chart 8).

Chart 8: Return on investment of technological change

You indicated that your company has implemented technological change in the past 12 months. To what extent did the expected return on investment materialise? Please select one.

(% respondents)



Source: Economist Intelligence Unit survey, July-August 2016.

"We implemented a new global treasury workstation about two years ago... That was a pretty significant improvement," says Elaine Lou, director of international treasury at US-based multinational telecoms company AT&T. "But not all of the benefits materialised because some of the functions, for example derivatives and some reporting functions, were not as expected. We're simply not using them." Although Ms Lou says that she was generally satisfied with the selected solution, she also calls parts of the experience "a disappointment".

Fintechs and cloud

When queried about the growing role of financial internet start-ups, usually dubbed financial technology (fintech) companies, treasurers tend to display a similar attitude. While a majority of survey respondents (58%) say that the development of fintechs is exciting, predicting that they will increasingly reduce treasury functions' reliance on banks for funding, an even bigger majority of almost three-quarters declare themselves "risk-averse" about partnering with the start-ups (72% this year vs 65% last year).

"B2C [business-to-consumer] payments are developing fast, but you have to make sure that the new payment channels are as secure and fast as the traditional ones," says ATEL's Mr Masquelier. "Fintechs are a real potential ... but it is very difficult to find the right ones among the big diversity. It's a bit like a boy in the candy shop."

Treasurers agree that fintechs could eventually change the banking landscape and thus have strong ramifications for treasury units, although they qualify that they do not yet play a significant role. "It's exciting, but we have not really leveraged that in terms of payments," Carlsberg's Mr Akesson sums up the general feeling.

Cloud-based solutions fall in a similar category. Although a clear majority of respondents say that their treasury functions increasingly use cloud services, the interviews shed little light on which services have been moved onto external servers. Only one treasurer—Mr Sack of Sivantos—singles out the cloud as an important source of innovation. "Our TMS is completely in the cloud. It's on my iPad and iPhone. That's a big change."

But as indicated by ATEL's Mr Masquelier and other treasurers, concerns about IT security and a potential loss of control loom prominently in the hesitation displayed by many treasurers. "We have a strict code of conduct, which says activities ought to be carried out in designated areas within our office facilities. So we don't need hand-held devices," says Mr Ho of Nokia.

In fact, one other important development brought about by the rising use of technology in treasury functions is the growing preoccupation with cybersecurity. Almost seven in ten survey respondents say they are increasingly concerned about external technological risks, such as cyberattacks.

The interviews show that the risk is real, with several respondents stating that both the number of hacking attempts and their sophistication has increased markedly over the past few years. "Hackers have tried to enter our system, but it was thwarted before any approvals were given. But the hackers have become better. They can give you the number of the bank when they call. So you must be very careful. The critical part is to have more than one human barrier to mitigate the risk of human error," says Mr Storchi of Gerdau.

Improving data accessibility

Some of the most important technological innovations seem to have happened in design and user experience, the interviews suggest, with treasurers striving to promote their function's visibility by increasing the convenience and ease with which crucial cash and FX data can be accessed across the business.

According to several treasurers, the most obvious manifestation of this trend is the increased use of dashboards. "We have a very complex dashboard showing who is earning cash and who is burning cash. Finance and treasury can now decide very quickly which country needs cash and can send it there through our local and global cash pools," says Mario Del Natale, director of treasury operations, systems and applications at Johnson Controls, a US-based multinational car-parts supplier. "The dashboard is very user-friendly. It's not like an Excel sheet, it's more like Bloomberg, where countries are shown in red and green to indicate their level of funding."

The use of dashboards delivers two simultaneous benefits to the treasury function, the interviews reveal. First, it makes treasury data easily accessible, increasing their value for and impact on the business and raising the profile of treasury as a result. And second, it enhances treasury's ownership of the data, giving treasurers an additional layer of control.

"Our company is building a management dashboard, and as treasury, we have early on decided to feed core elements of the treasury system into this dashboard. So it's the same look and feel, whether the CFO is looking at treasury, sales or whatever. I hope that this will increase awareness of treasury issues," says Mr Sack of Sivantos.

In fact, at least part of the move towards better information availability seems to be driven by management boards themselves, who, accustomed to the convenience and intuitive usability of their smartphones, have come to expect a similar user experience from their corporate software.

"The demands on user experience of treasury applications have risen in general. Everyone is used to applications, and they want the same interfaces in treasury," says Mr Del Natale. "There's now a lot of focus on design. It used to be that the programmer produced something—and that was that. Management has now recognised that user experience has become more important."



CHAPTER 5: THE CHANGING ROLE OF TREASURY

The challenges brought about by the macroeconomic environment, regulatory developments and technological innovation are not just shaping the outlook of corporate treasurers—they are also changing how the function is interacting with the rest of the business. The financial crisis seems to have generally sharpened companies' focus on risk management, leading to increasing involvement by corporate treasurers in areas that lie beyond FX exposures and liquidity risks.

Growing involvement of treasury

There is almost unanimous agreement, both in the survey and in the interviews, that treasury functions enjoy a growing influence and recognition within the overall business. The development is mostly gradual, the treasurers acknowledge, but they also say that it is continuous, with 40% of survey respondents saying that their function has become slightly more important over the past 24 months and 22% even saying that it has become "much more important".

Healthy confidence among corporate treasurers about their function's worth to the company seems to underpin that development. More than seven in ten respondents (72%), including more than two-thirds of CFOs (68%), agree somewhat or even strongly that corporate treasury makes a tangible and valuable contribution to the overall company performance.

The clear trend towards a bigger role for treasury is unfolding, even though the salience of liquidity issues, once at the very top of the treasury agenda, has decreased markedly in the wake of the unprecedented flooding of developed markets with central-bank money. The treasurers in our interviews largely agree that this has not led to a parallel decrease in the importance of the treasury function.

"Partnering with the business has increased. We are more involved in business negotiations, which is key when FX issues, insurance or funding come into discussion," says Christian Bauwens, senior vice president and treasurer at Flextronics. "Liquidity is somewhat less of an issue at present, because we feel we have an adequate capital structure and have efficient processes to manage global liquidity around the globe."

An overwhelming majority (85% of respondents, including 83% of CFOs) agree at least somewhat that their leadership teams now increasingly consult corporate treasurers on strategic questions (with one-third agreeing even "strongly"), up from 73% in last year's survey. The interviews suggest that this has set off a sort of virtuous cycle for treasury functions, in which growing treasury responsibilities increase the function's visibility among the senior company leadership, facilitating the allocation of resources to

treasury and thus strengthening its capacity to make a tangible contribution, in turn laying the groundwork for the next round of expanding responsibilities.

"Many recent CFO appointees have had treasury experience in their careers—a lot of the treasury risks that they are tasked with managing for the business are potentially existential in nature," says Mr Fitzgerald of CRH. "As a result, it's easier to make the case for more resources to expand the treasury function than, say, ten years ago."

Expanding roles in risk management and capital allocation

Stronger and earlier involvement in decisions about risk-taking and capital allocation, namely working capital and M&As, are areas where the increasing role of corporate treasury is particularly pronounced, many treasurers say. Indeed, expanding portfolios are a common occurrence for treasury functions, many interviewees note, singling out rising involvement in areas to do with financial risk.

"The scope of risk management was expanded after the financial crisis, for example, how we look at banks, but also customers and countries," says Mr Bruns of Merck. "The treasury function is used to dealing with risks—that is, avoiding, reducing and taking them—so we are a natural partner in this development."

Mr Nufer of Borealis agrees, noting that his function now handles credit risk and accounts payable and also oversees financial risk management more generally. In addition, his company has set up a mechanism to deal with its exposure to a country that suddenly runs into headwinds, illustrating how treasury is becoming more involved in risk management. The mechanism has accelerated the company's ability to react and has already proved valuable in certain situations, he says. "The thinking—what to do now, who do we contact, what is the impact on sales—was done in advance, and we have established a lean and agile set-up that can take immediate decisions. Now we're able to react much more quickly, for example to recent events in Turkey."

Mr Bauwens of Flextronics likewise underlines treasury's role in risk, noting that the function is in charge of business continuity planning (BCP) at the global supply-chain solution company. "It's a big focus, and its objective is to ensure continuity of our operations in case of natural disasters, for example. One can argue that some of these risks are increasing due to climate change, flooding for instance. We as treasury have a co-ordination role with respect to BCP. This includes offices, plants and data centres."

Decisions on company-wide capital allocation are also frequently highlighted as an area of growing treasury influence. "We are the stewards of the company's capital. But I think what we're getting more and more involved in is how to allocate capital, and not just to M&As and to shareholders, but also at the business unit level," says Mr Glasby of PayPal.

Working-capital management has perhaps seen the strongest growth in treasury involvement, the survey shows, with 90% of respondents (up from 80% last year) saying that their role in this area has become more important. With reference to the growing role of treasury in this area, Bonduelle's Mr Sanson explains: "Treasury is also involved in our Finance for Growth programme, focusing on working capital. Its role here is to make people understand that their day-to-day decisions can have an impact on capital employed. We've trained almost 500 people on this matter in 2015 and 2016, and we've adjusted the remuneration package of top management to reflect ROCE [return on capital employed]. To communicate the results was very important for treasury; it was a way to help people to understand the contribution of treasury to growth."

Discussing treasury's growing involvement in capital allocation, Ms Lou of AT&T outlines the various assessments run by the function that contribute to the overall decision. "From a treasury perspective, the first thing to do when we expand is to look at the cash-flow pattern in the new subsidiary and understand its funding needs and banking relationship. We also need to understand its FX exposure and then explore if there are any opportunities to be more efficient, for example through netting rather than buying and selling the same currencies through different time horizons."

Room for improvement

But many treasurers also acknowledge that considerable hurdles remain to developing corporate treasury's involvement, with communication constraints frequently ranking at the top. More than seven in ten corporate treasurers say that their function still faces difficulties in communicating its strategic value to the wider business (unchanged from last year), and 37% say that their company board does not take sufficient interest in them, although this is down from 67% last year (see chart 9).

But more structural barriers also loom large. Six in ten respondents say they do not believe that the corporate treasury function is well integrated into the wider business (up from 58% last year), with almost one-third agreeing strongly with the statement. The responses suggest that deeper factors beyond personal skills and networks are at play when treasurers feel somewhat isolated from the rest of the company.

Bridging this gap is obviously difficult, but various treasurers stress the need to build up a network that covers the entire company. "The most important thing is to have a tremendous line of communication in your organisation; both speaking and listening skills are required," says Mr Tropp of Priceline. "Make sure you have skilled professionals in your treasury organisation and then flow information to ensure the pulse of the company and markets are well understood."

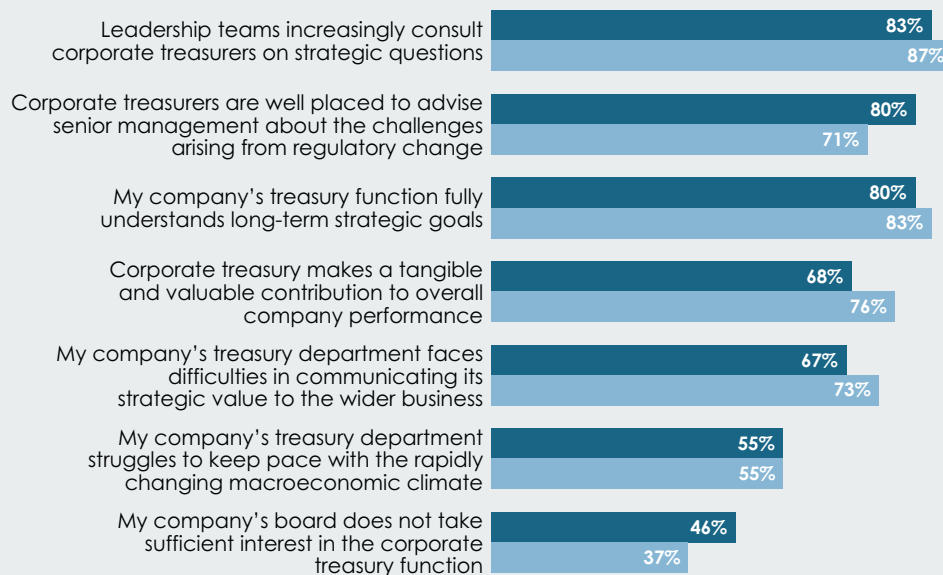
Interestingly, very few treasurers say that communication or networking skills need to be honed in their treasury function. Instead, respondents largely choose the traditional set of hard skills required of treasurers, namely financial technical skills and the ability to

Chart 9: Growing strategic role

Please indicate to what extent you agree or disagree with the following statements about the corporate treasurer's strategic role in the wider business of your company. Chart shows percentage of those that "agree strongly" and "agree somewhat".

(% respondents)

■ CFOs ■ Treasurers



Source: Economist Intelligence Unit survey, July-August 2016.

deal with evolving technology as the top areas for improvement. Only the fact that the category leadership and strategic skills comes third indicates that many treasurers are keen to develop their soft skills (see chart 10).

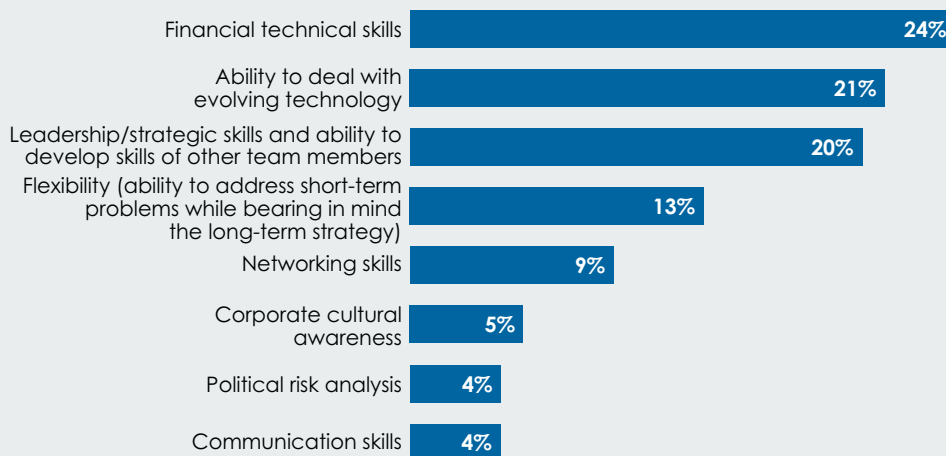
The interviews indicate that the company leadership puts a similar premium on developing those skills. "A member of the treasury function must be a good accountant, must be involved in operations, communicate with the entire company, and of course must be a good treasurer. It's more and more management. But many people in treasury are experts and not always managers," notes Mr Sanson, suggesting that leadership skills in treasury are not always in abundant supply.

He stresses that it is also the responsibility of the company leadership to make sure that the treasury function contains the appropriate skill sets. "You have two options: buy or train existing talent. And that's what we do. We also have to recruit from outside, but as much as we can, we try to foster talent."

Chart 10: Skills requirements

In which area do you see the biggest room for improvement in your treasury department or yourself? Please select one.

(% respondents)



Source: Economist Intelligence Unit survey, July-August 2016.

Automation as an enabler

The progress many treasurers have achieved in automation and standardisation seems to have been one key driver in the development towards stronger involvement with business decisions, as the two trends enable treasurers to devote freed-up resources to new tasks, the interviews reveal.

"The optimisation of treasury management process is one of the key pathways for treasury to transform the role from operational to more strategic," says Ms Peng of Flextronics. "This has given treasury more time to get involved in the business with limited resources. Treasury can put more focus on risk management, on exploring new projects, and on giving more advice to the business."

"Our mantra is 'ruthless standardisation'. If it's a highly repetitive task, it should be automated," adds Mr Phillips of BAT. "My role has changed and evolved as a result. I'm now more of a business partner."

CONCLUSION

There are four big areas that shape the corporate treasurer's role in managing risk in challenging economic times: the evolving macro environment; the challenge of managing cash in a zero interest-rate environment; regulation; and technology. The treasurer's expertise in areas such as FX issues, insurance or funding is increasingly valued across the business and by senior management. As a result, treasury functions continue to expand their remit, especially into risk management and capital allocation. M&A and working-capital management are areas where treasurers are consulted at an increasingly early stage.

Technology has been a major enabler for corporate treasurers to assume a more enhanced strategic role and become a valued business partner. This white paper shows that respondents welcome technological change but do not necessarily embrace it. Instead, most corporate treasurers are happy to drive technological change at their functions gradually, including co-operation with fintech. It also shows that progress in automation and standardisation has freed up time for a stronger involvement in strategic issues. Hence, the ability to deal with evolving technology is one of the top areas for improvement in terms of skills. Leadership and strategic skills are becoming increasingly important as well, but it is the core traditional hard skills of treasury—namely financial technical skills—that remain the treasurer's main focus.

The traditional core skills of treasury are also crucial against a backdrop of uncertainty about economic growth, which is the top concern of treasurers worldwide. Geopolitical risk does not feature among the top risks identified by survey respondents; however, recent adverse developments, such as Brexit, are generally seen as having compounded economic downside risks. Amid economic uncertainty and low or even negative interest rates, corporate treasurers have initiated significant policy changes in cash management, with many focused on expanding or modifying investment strategies for excess cash. Concerns about the global macroeconomic environment have driven companies to hold more cash, but our survey also highlights an intention to invest.

Regulatory and tax developments are the second top risk identified in the survey, after concerns about global economic growth. Respondents say that they spend a lot of time on compliance and that they fear there is more to come, especially a stronger focus on inter-company loans as a result of the recently adopted BEPS regime as well as new financial accounting standards. Regulation is also seen as a potential threat to bank relationships, especially in the wake of tighter KYC requirements and higher capital ratios for financial institutions.

As the growing importance of risk management boosts the role of corporate treasurers, there are still important challenges to address. In particular, this paper highlights once again the importance of improving the visibility and influence of their function within the

overall organisation: communicating the strategic value of corporate treasury to the wider business remains a major hurdle to expanding its role.

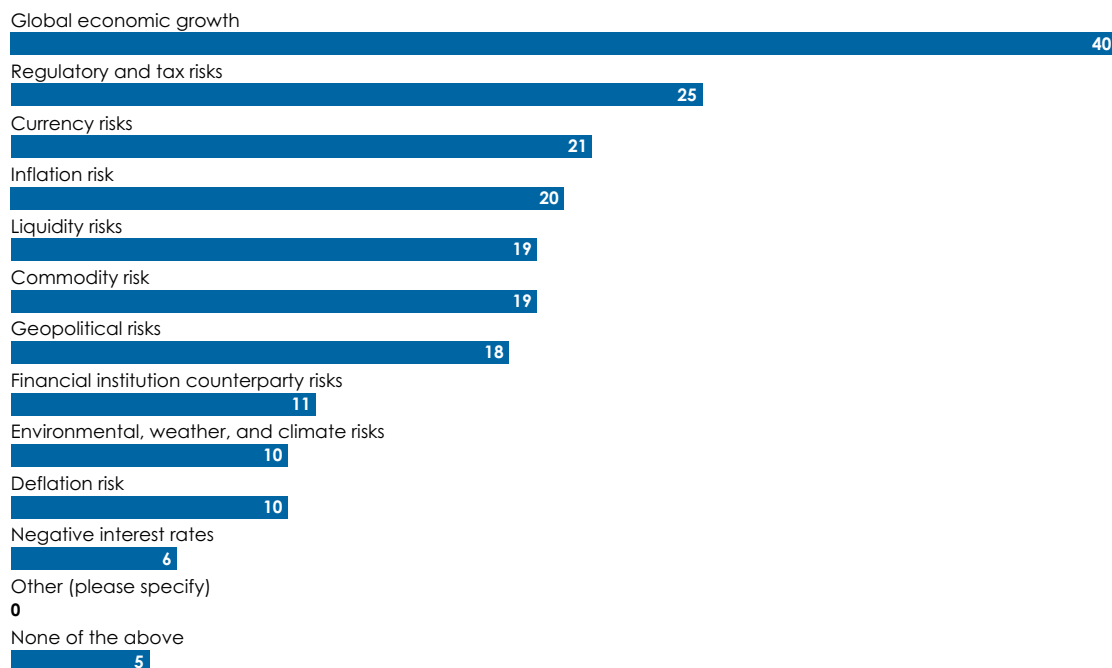
There are several areas for further study that are likely to be picked up in the next iteration of this corporate treasury programme. These include the automation of processes, which has already been identified as a major driver of the evolving role of the treasurer; raising questions about the limitations of automation; and whether the trend has led to reductions in treasury staff. The broadening of the treasury function is another key area that warrants further investigation, especially whether this has increased the incidence of overlapping responsibilities with other corporate functions and thus may have raised the risk of inter-departmental conflict.

One area of risk that is touched on but not explored in depth is cybersecurity. The importance of the issue was raised in the interviews conducted for this white paper and warrants further investigation, for example in terms of what treasurers can do to raise awareness of the present or imminent threat of risk or fraud within the business and how treasury can strengthen the defences where other risks occur, for example in the supply chain.

APPENDIX

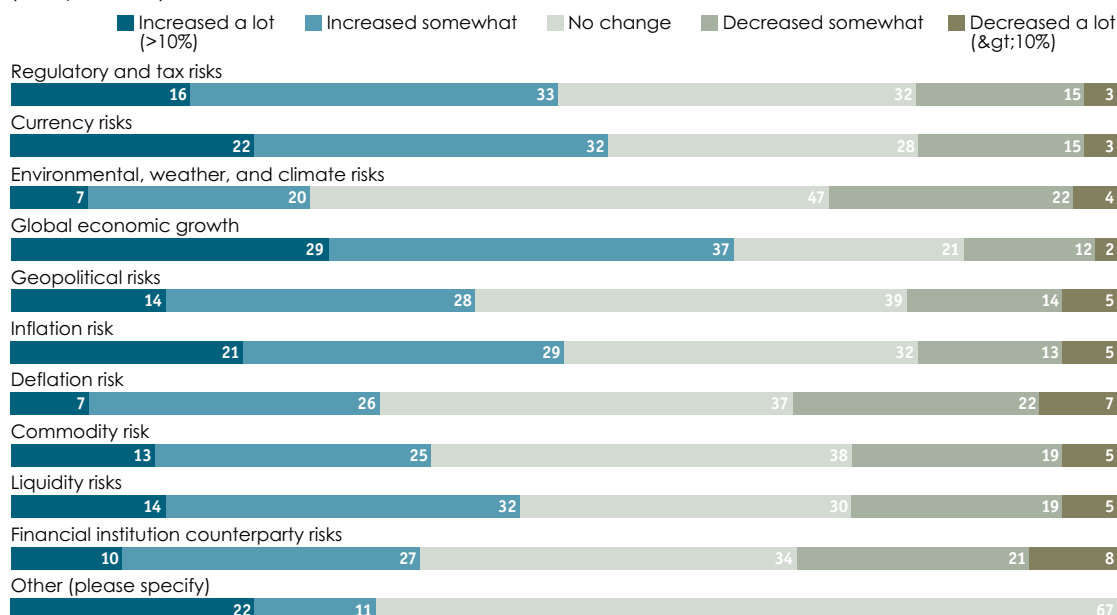
Of the following macro and financial risks, which will be the most serious to your firm's finances over the next 12 months? Please select up to three.

(% respondents)



Compared to 12 months ago, to what extent (if at all) has the amount of time that you spend on managing each of the following risks changed?

(% respondents)



MANAGING RISK IN CHALLENGING ECONOMIC TIMES

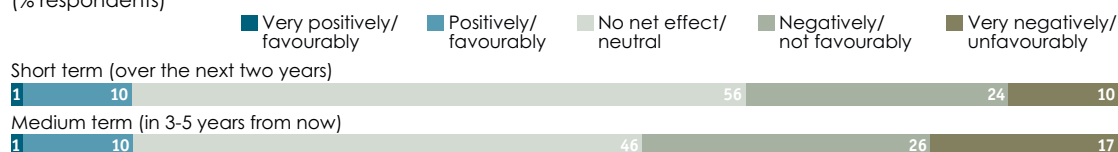
How do you expect the global macroeconomic risk environment to change, if at all, over the next 12 months? Please select one.

(% respondents)



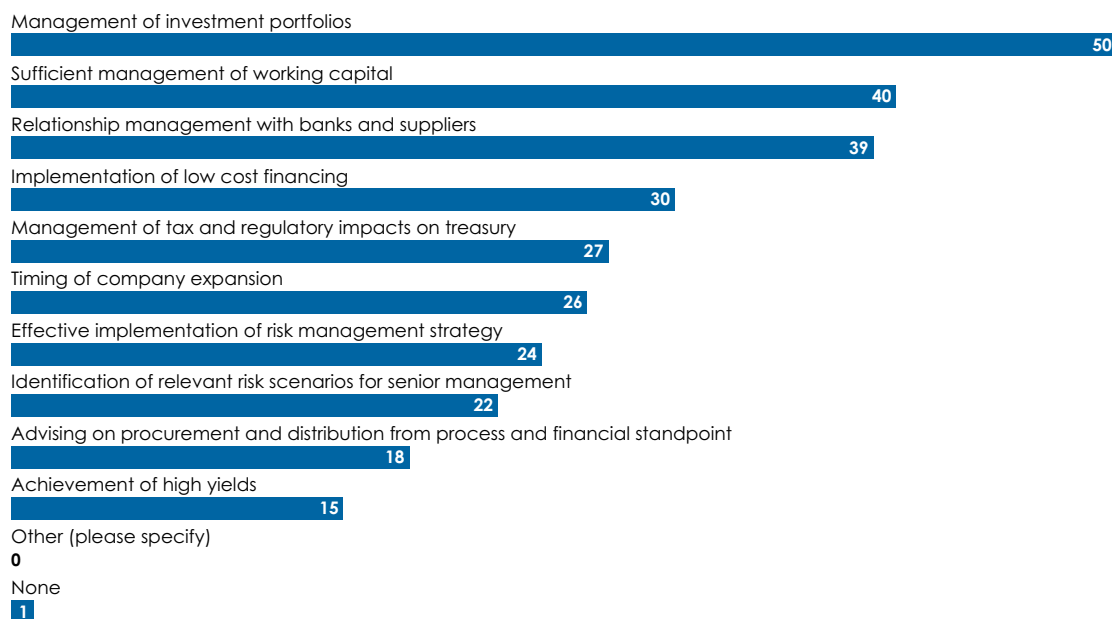
How is the UK's exit from the EU likely to affect your firm's finances

(% respondents)



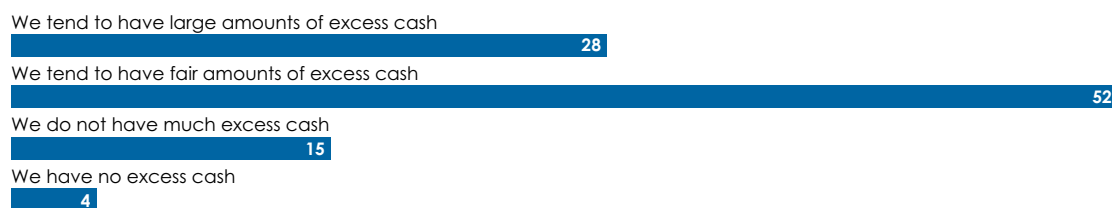
In which areas have increased demands on your time over the past 12 months created challenges for your role? Please select all that apply.

(% respondents)

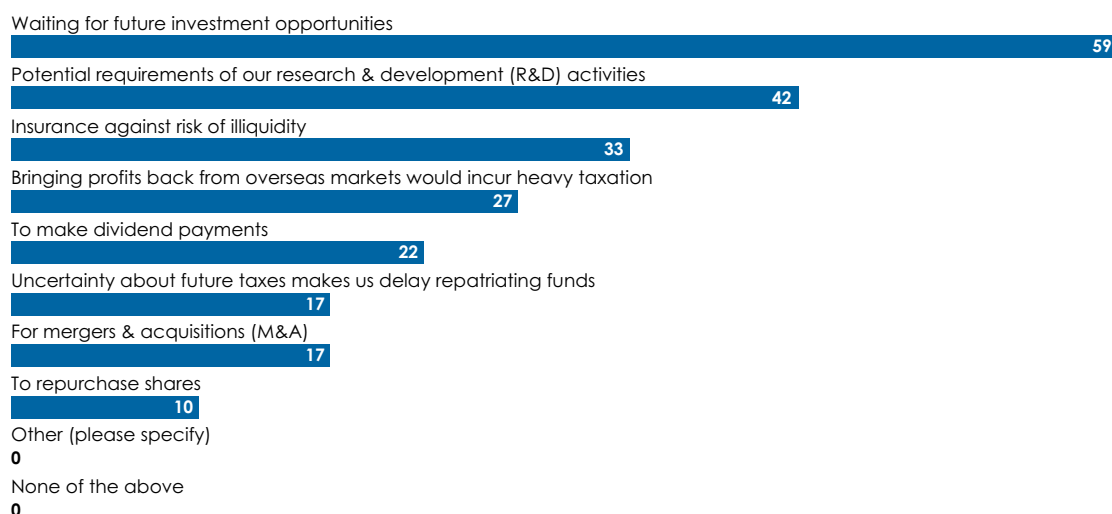


MANAGING RISK IN CHALLENGING ECONOMIC TIMES

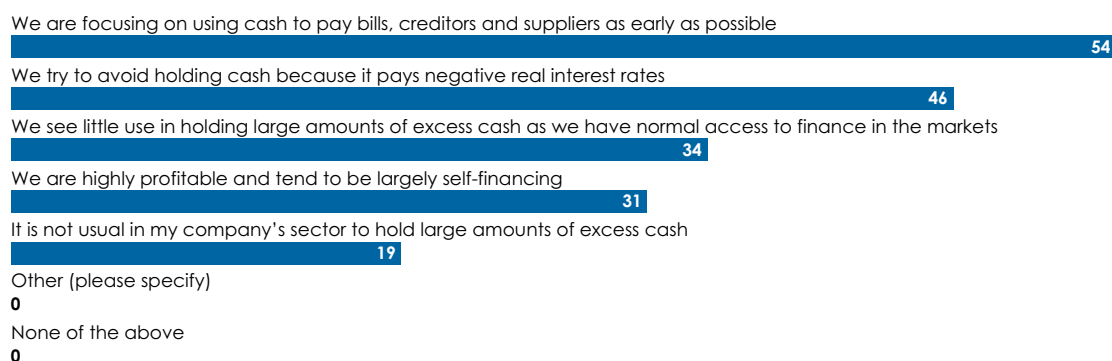
What is your view on your company's liquidity levels? Please select one.
(% respondents)



You indicated that your company has fair or large amounts of excess cash. Why do you hold this excess cash? Please select all that apply.
(% respondents)



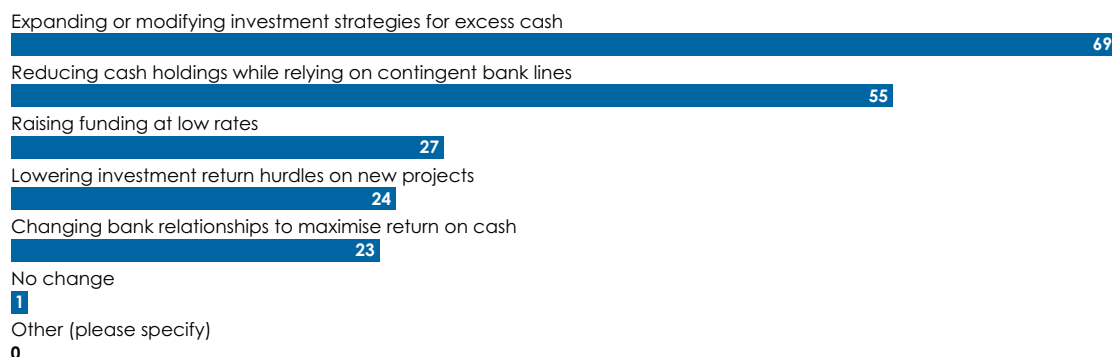
You indicated that your company has little or no amounts of excess cash. Which of the following indicates why this is the case? Please select all that apply.
(% respondents)



MANAGING RISK IN CHALLENGING ECONOMIC TIMES

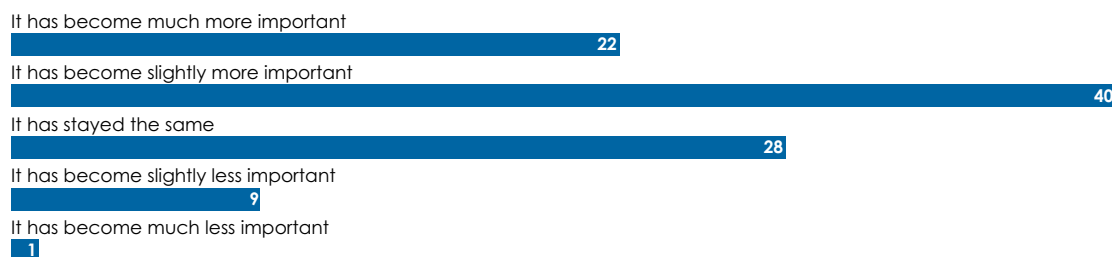
Given low and sometimes even negative interest rates in many markets, how have you adapted your treasury management strategies? Please select all that apply.

(% respondents)



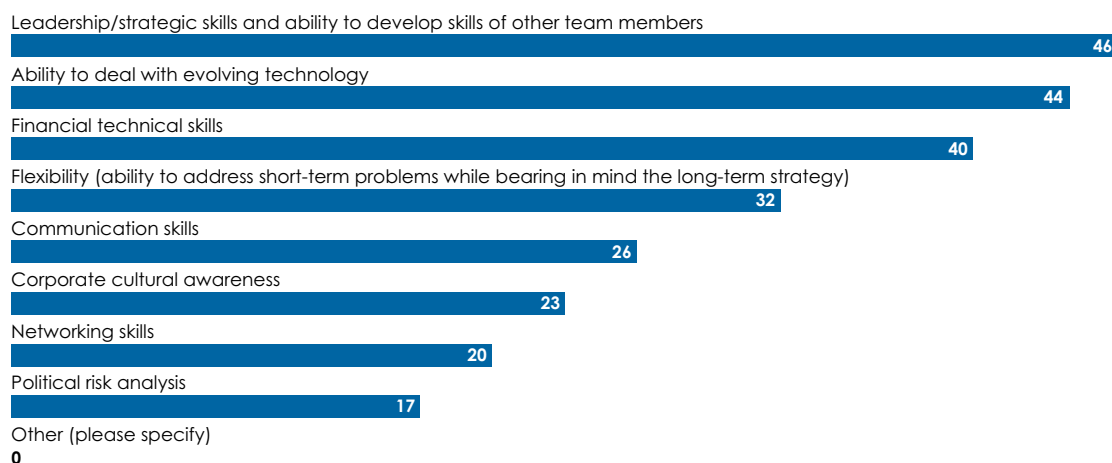
How, if at all, has the role of corporate treasury at your company changed over the past 24 months? Please select one.

(% respondents)



Which of the following skills do you consider to be the most important in the evolving nature of the corporate treasurer's role? Please select up to three.

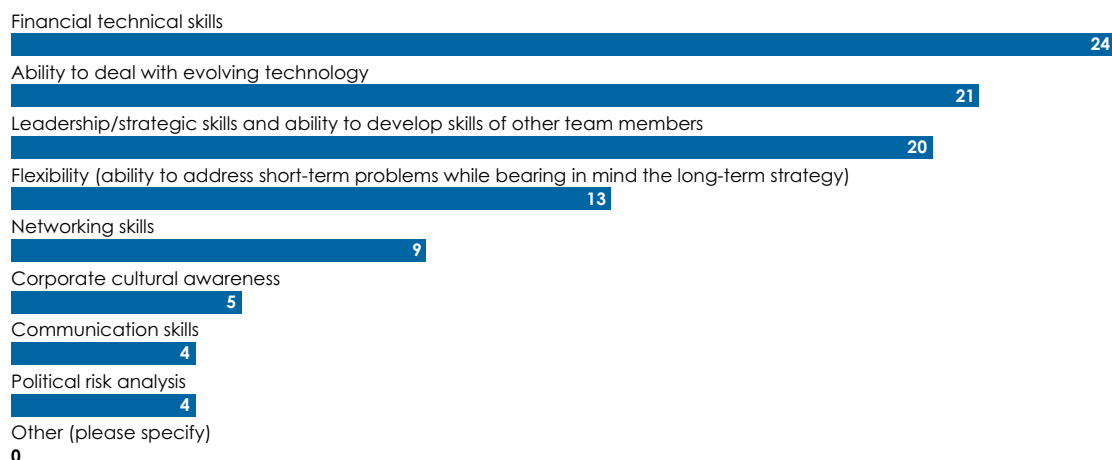
(% respondents)



MANAGING RISK IN CHALLENGING ECONOMIC TIMES

In which area do you see the biggest room for improvement in your treasury department or yourself?
Please select one.

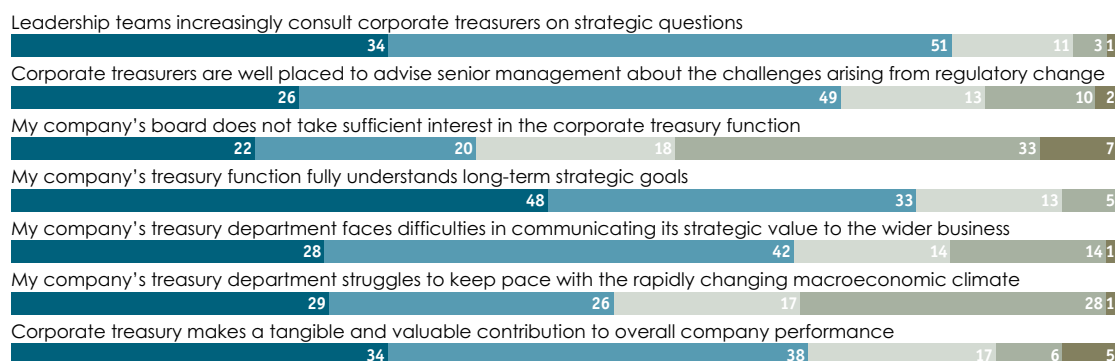
(% respondents)



Please indicate to what extent you agree or disagree with the following statements about the corporate treasurer's strategic role in the wider business of your company?

(% respondents)

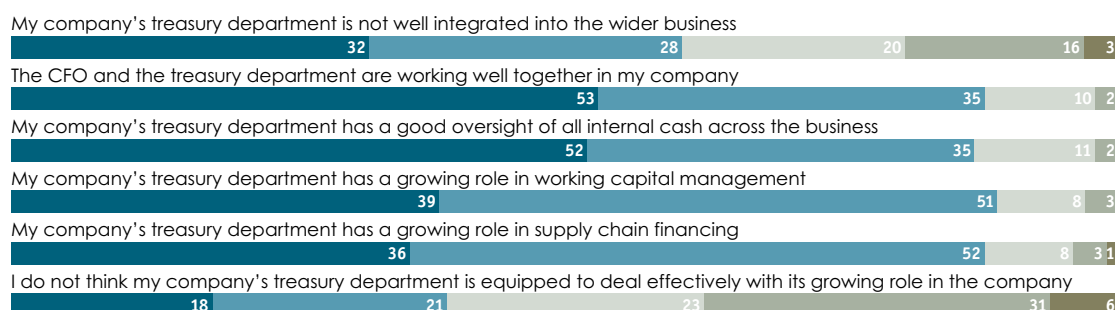
☐ Agree strongly
 ☐ Agree somewhat
 ☐ Disagree somewhat
 ☐ Disagree strongly
 ☐ No opinion/Don't know



Please indicate to what extent you agree or disagree with the following statements about the corporate treasurer's operational role in the wider business of your company?

(% respondents)

☐ Agree strongly
 ☐ Agree somewhat
 ☐ Disagree somewhat
 ☐ Disagree strongly
 ☐ No opinion/Don't know

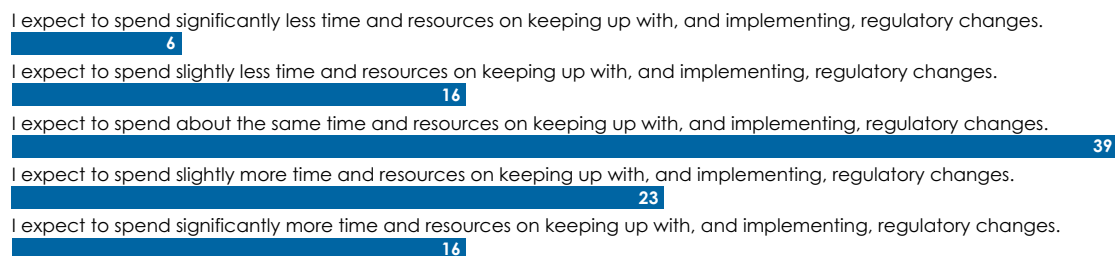


MANAGING RISK IN CHALLENGING ECONOMIC TIMES

Please indicate to what extent you expect any changes to the time and resources you spend on keeping up with, and implementing, regulatory and/or tax changes over the next 12 months.

Please select one.

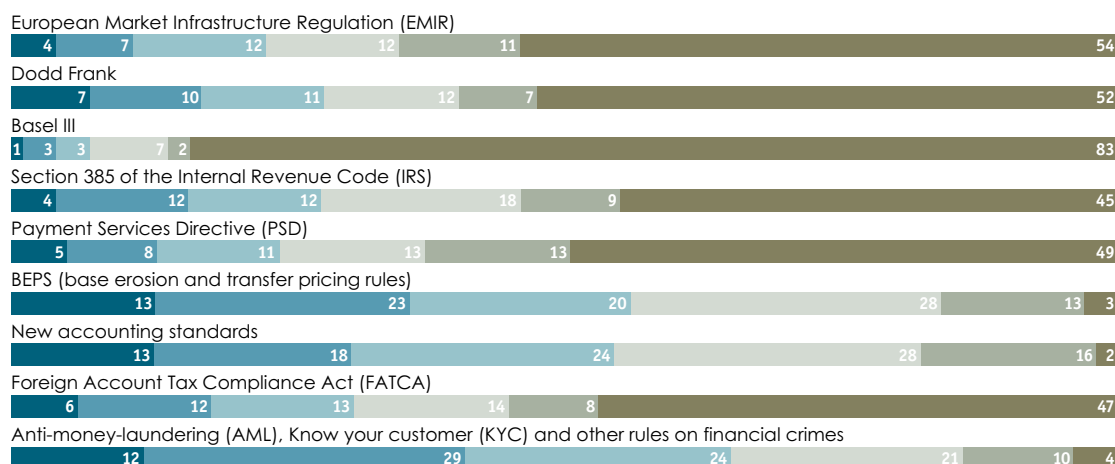
(% respondents)



Please indicate to what extent you agree or disagree with the following statements about the corporate treasurer's operational role in the wider business of your company?

(% respondents)

■ Significantly less time and resources
 ■ Slightly less time and resources
 ■ About the same time and resources
 ■ Slightly more time and resources
 ■ Significantly more time and resources
 ■ Not applicable



Assess the current level of technology infrastructure in your company's treasury department.

Please select one

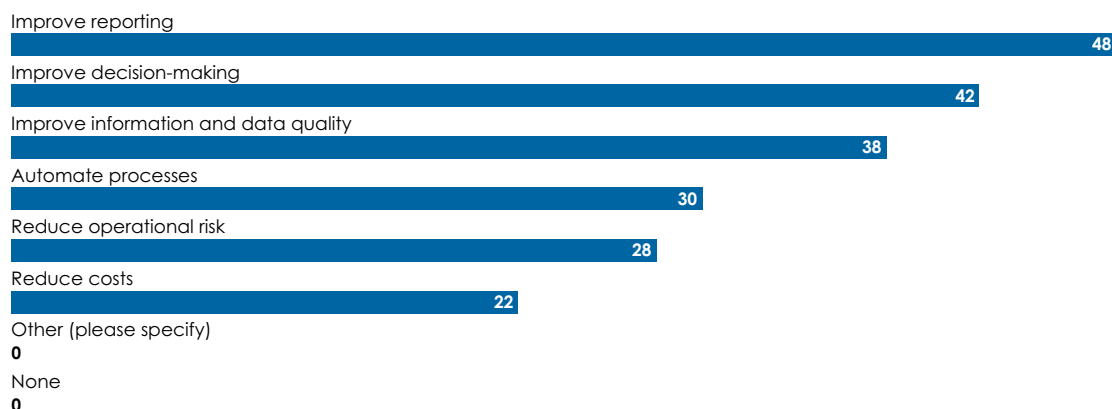
(% respondents)



MANAGING RISK IN CHALLENGING ECONOMIC TIMES

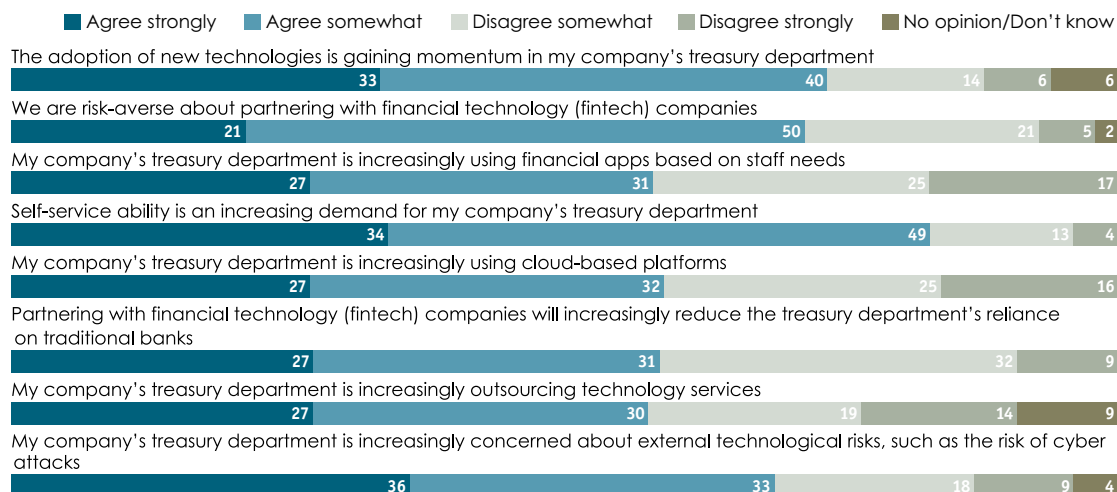
Please indicate whether technology in your company's treasury department is able to do the following tasks. Please select all that apply

(% respondents)



Please indicate to what extent you agree or disagree with the following statements about the use of technology in your company's treasury department?

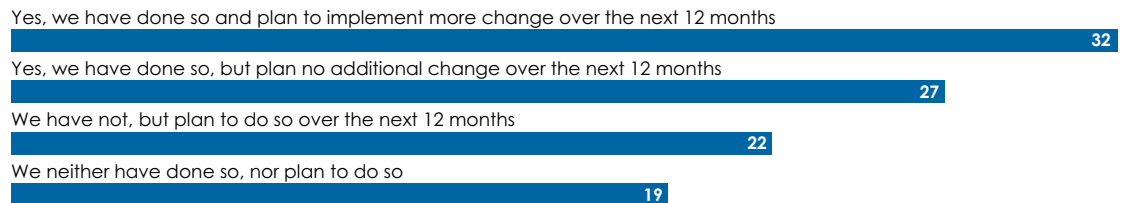
(% respondents)



MANAGING RISK IN CHALLENGING ECONOMIC TIMES

Have you implemented technological change at your business in the past 12 months, or are you planning to do so over the next 12 months? Please select one

(% respondents)



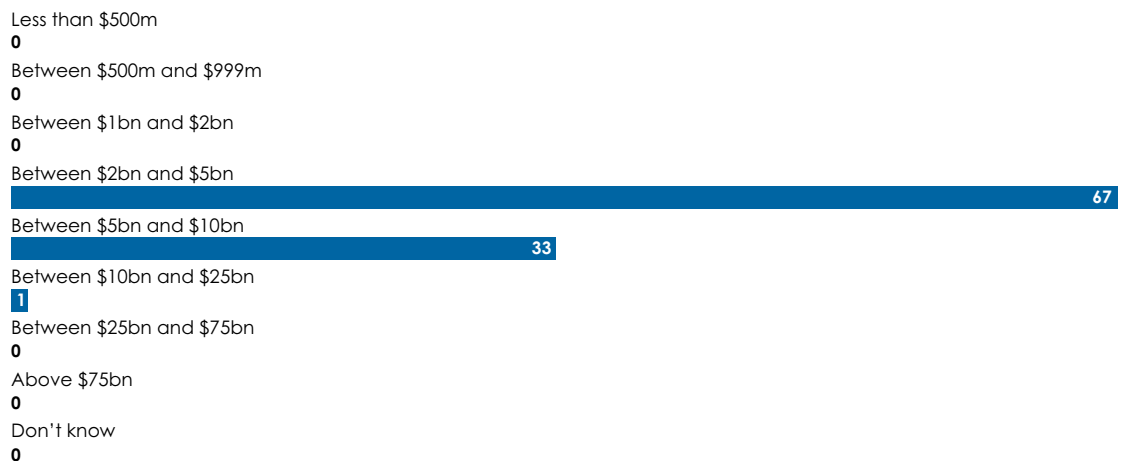
You indicated that your company has implemented technological change in the past 12 months. To what extent did the expected return on investment materialise? Please select one

(% respondents)



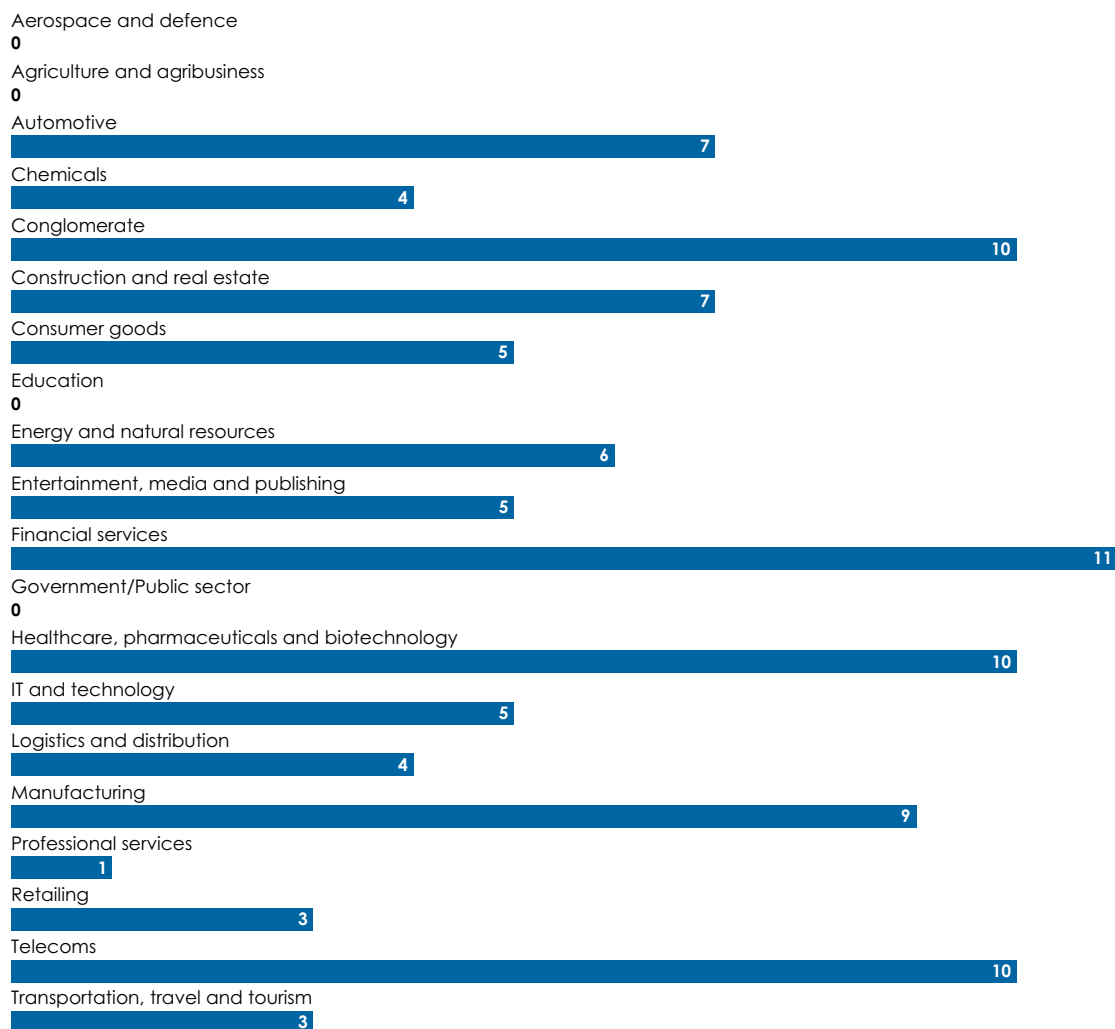
What is your organisation's annual revenue? Please select one

(% respondents)

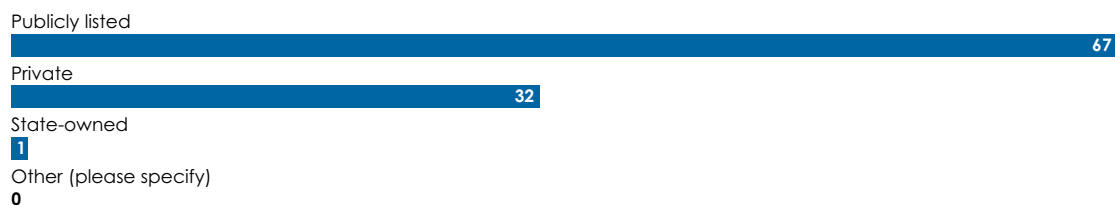


MANAGING RISK IN CHALLENGING ECONOMIC TIMES

What is your organisation's primary sector of activity? Please select one
(% respondents)



Is your company publicly listed, private or state-owned? Please select one
(% respondents)



MANAGING RISK IN CHALLENGING ECONOMIC TIMES

Personally located: Region
(% respondents)



HQ: Region
(% respondents)



While every effort has been taken to verify the accuracy of this information, The Economist Intelligence Unit Ltd. cannot accept any responsibility or liability for reliance by any person on this report or any of the information, opinions or conclusions set out in this report.

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