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## **Rethinking Treasury: The Road Ahead** **HSBC's 2021 Corporate Risk Management Survey**

*Chief Financial Officers and Corporate Treasurers are faced with a host of challenges as economies emerge from the impact of the pandemic. Geopolitical and ESG risk are front and centre in their minds as they safeguard their company's financial health and look to growth*

(London) – HSBC announced today the findings of its latest global Corporate Treasurer and CFO Survey of 200 CFOs and 433 senior treasury professionals from multinational corporates across a range of sectors, covering the Americas, Asia and EMEA.

Commenting on the survey's overall findings, **Rahul Badhwar, Global Head of Corporate Sales, Markets & Securities Services**, said: "The pandemic and its sweeping impact on economic activity, combined with unprecedented monetary intervention, have made macro and market risks incredibly difficult to gauge for companies. The need for clear lines of communication between CFOs and treasurers has never been more critical to secure both the financial health and growth of a business."

**Holger Zeuner, Head of Thought Leadership EMEA, Corporate Sales**, added: "Our survey finds the rise of protectionism globally and the risk of a prolonged economic downturn from the pandemic as the two main macro concerns for CFOs. To manage the related risks to supply chains and commodity prices, **92% of CFOs** are likely to invest resources to manage country and political risk over the next 12 months, while 67% expect to address supply chain risks. For smaller organisations, however, rising inflation and interest rate risks are ahead of any other concern for a lot of CFOs."

He continued: "There is, however, cautious optimism about a return to growth, with **79% of CFOs** expecting their company to see a positive impact from the development of emerging market economies over the next three to five years. 60% of CFOs also think their business will benefit from a strong economic recovery from the pandemic. But, for that growth to materialise, a strong focus on ESG is becoming a necessity."

The full report, key findings and survey methodology can be found [here](#).

### **ESG**

According to the survey, the ESG agenda is very much now being driven by the C-suite, as companies recognise that a failure to act could cost them their reputations and their futures.

**Holger Zeuner** noted: "Given the speed with which ESG has risen to the top of the corporate agenda, the prevalence of sustainable financing is likely to grow over the medium term. However, only 16% of treasurers expect more than half of their gross debt to include ESG criteria five years from now in contrast to the quicker adoption speed anticipated by their CFOs."

- **68%** of CFOs say they are likely to invest resources in ESG risk in the next 12 months (topped only by country/political risk).
- **80%+** of CFOs see ESG principles as important for their financial decisions on capex, supply chains, debt financing as well as FX and interest rate hedging.

### **The strategic evolution of treasury**

CFOs have been forced to revise financing, investment and capital allocation strategies as a result of the pandemic. In their supporting role to the CFO, treasurers have stepped up and taken on more strategic responsibilities. This journey is at a more advanced stage in Europe and Americas, with Asian treasurers positioning themselves for such change.

- **74%** of CFOs expect the level of resources (both employees and technology) within their treasury department to increase in the next three years.
- **64%** of CFOs in EMEA are completely confident that their treasury department has the required skills to play a highly strategic role in their business, with just 30% in Asia agreeing.

### **Cash is king again**

For corporates, cash has become king during the pandemic, as CFOs and treasurers have been under extreme pressure to protect the financial health of their business during the last 18 months. The unpredictability of the economic environment has also meant that traditional treasury activities have come to the fore for CFOs – and most treasurers have delivered in this respect.

- **81%** of CFOs say that keeping sufficient cash buffers has become a more important treasury duty in the past three years, with 83% saying the same for optimising working capital.
- **74%** of CFOs rate their treasury's cash flow forecasting and monitoring as "best in class", with 58% saying the same about liquidity management.

### **Supply chains**

The pandemic has caused major supply chain disruptions, affected inventory levels and delayed delivery times to consumers. Companies are responding by reversing the offshoring trend with nearshoring to better secure supplies.

- **79%** of CFOs across all regions and revenue sizes have been working with more local suppliers in the past three years.
- **78%** also say they have moved production and logistic centres closer to customers.

### **FX risk**

This supply chain restructuring also appears to be affecting FX risks across organisations, as more CFOs – especially in Asia (59%) – have changed their invoicing to suppliers' local currencies, whereas there have been far fewer changes in EMEA (30%) and Americas (30%).

- **57%** of CFOs say they have incurred lower earnings in the past two years due to significant unhedged FX risk (rising to 77% in EMEA).

A failure to address all facets of FX risk management efficiently continues to have an impact on corporate results.

**Digitisation**

Digitisation has firmly entered the corporate's finance function and will become more embedded, with blockchain technology a key component.

- **81%** of CFOs believe the digitisation of treasury processes has increased in importance in the past three years, and 70% of treasurers agree.
- **53%** of CFOs expect digitisation to give their business model a "large boost" over the next three to five years.
- **97%** of CFOs expect a future use case for blockchain technology in their company, with easier and leaner trade documentation, payment security and FX management at the top of their list.

**Rahul Badhwar** said: "Digitisation is where treasuries can level up their support to the business and free up their time for more strategic tasks. Digitally-led functions benefit from improved insights that can strengthen risk management capabilities. The fact that both CFOs and treasurers point to treasury digitisation as an increasingly important part of their future is a positive step in realising their shared strategic vision."

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