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Survey Questions and Sample

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The Questions and Sample of the Global
Survey of Corporate Financial Policies
and Practices

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Introduction

During mid 2005 we conducted a survey entitled “The Global Survey of Corporate Financial Policies and Practices”. 334 companies globally responded to the survey which focused on the management of the finance function, capital structure, debt structure, liquidity, dividend, share repurchase and risk management policies of corporates. This paper describes the composition of the sample companies in terms of location, industry, rating and listing.

Involved Parties

The project was conducted by Professor Henri Servaes of London Business School and Professor Peter Tufano of Harvard Business School. The project was initiated by Deutsche Bank (<http://www.db.com>), who also acted as the primary sponsor. The Global Association of Risk Professionals (GARP: <http://www.garp.com>) acted as the secondary sponsor while Prezza Technologies (<http://www.prezzatech.com>) provided the survey software, hosting and related services.

Related Papers

There are six papers that discuss the results of the survey in detail:

- CFO Views
- Corporate Capital Structure
- Corporate Debt Structure
- Corporate Liquidity
- Corporate Dividend Policy
- Corporate Risk Management

All these papers are available at www.dbbonds.com/lsg/reports.jsp. The website also contains a streaming video of Professors Servaes and Tufano presenting an overview of the results at a Deutsche Bank hosted conference.

Question Description

The survey contained 133 questions and 1,001 response items.¹ The questions were developed by the Authors and Editors to discover what financial policies corporates have and how they developed those policies. These questions were reviewed before release by:

- Deutsche Bank subject area experts
- Members of GARP
- A focus group of corporate CFOs

Survey Structure

The questions were split into 10 sections:

Figure 1: Survey Sections

Section	Number of Questions	Number of Response Items
General Company Information Questions	20	40
General CFO Level Questions	17	128
Capital Structure Questions	13	112
Structure of Debt Questions	6	75
Dividend and Share Repurchase Questions	11	59
Corporate Liquidity Questions	7	34
General Risk Management Questions	13	95
FX Risk Management Questions	16	177
Interest Rate Risk Management Questions	15	43
Commodity Risk Management Questions	15	238
Total	133	1,001

Each section, each question and each response item was optional. Furthermore, the survey was designed to show only relevant questions and response items. For example, Question 5.4 (“What has been your average Dividend Payout Ratio over the last five years?”) was only shown if the respondent indicated that they had “Paid a regular cash dividend” in Question 5.1.

¹ Each option set available to the respondent is counted as a response item. For example, in question 9.12 the question text read “Does your market view on interest rates cause you to:”. The respondent was offered a 3x6 grid of radio buttons. The rows were labelled “Materially alter the timing of hedges”, “Materially alter the size of hedges” and “Actively take positions in interest rate markets”. The columns were labelled 0: Never through to 5: Frequently. The respondent could select one option from each row, thereby indicating the frequency with which they undertook that particular action. This question has three response items. Each row is a response item because it elicits a separate piece of information from the respondent.

Sample Description

Responsibility for inviting corporate companies to participate was passed to Deutsche Bank's individual relationship managers, with instructions to invite all corporate clients. Our definition of corporate clients included conglomerates, industrial holding companies, consumer finance companies, property companies/REITs and utilities. It excluded banks, insurance companies, pension funds and other financial institutions.

Approximately 232,000 response items were registered by 334 separate companies. Throughout all the papers listed above, the number of respondents to each question is shown.

Responses to the survey were totally anonymous—the respondents were never asked their name. To further ensure confidentiality of data, the results are only shown for samples and sub-samples where 5 or more datapoints are available. We believe that it is not possible to derive company specific information from the data provided in these papers. We further believe that this policy conforms to all appropriate requirements in all relevant jurisdictions.

Due to rounding, the numbers in some figures may not add up to the 100% or the total shown.

Sample Breakdown by Country and Region

We received responses from companies incorporated in 39 different countries and, for analysis, we categorised countries into 9 regions as shown below:

Figure 2: Sample Breakdown by Country and Region

Country	Region	Number of Respondents	Proportion of Respondents
Algeria	Eastern Europe, Middle East and Africa	1	0.3%
Argentina	Latin America	3	0.9%
Australia	Australia & New Zealand	1	0.3%
Austria	Western Europe excluding Germany	6	1.8%
Belgium	Western Europe excluding Germany	13	3.9%
Canada	North America	3	0.9%
Cayman Islands	North America	1	0.3%
Chile	Latin America	7	2.1%
Denmark	Western Europe excluding Germany	2	0.6%
Finland	Western Europe excluding Germany	1	0.3%
France	Western Europe excluding Germany	4	1.2%
Germany	Germany	61	18.3%
Hong Kong	Asia excluding Japan	1	0.3%
India	Asia excluding Japan	10	3.0%
Indonesia	Asia excluding Japan	5	1.5%
Israel	Eastern Europe, Middle East and Africa	1	0.3%
Italy	Western Europe excluding Germany	16	4.8%
Japan	Japan	26	7.8%
Korea; Republic Of	Asia excluding Japan	8	2.4%
Liechtenstein	Western Europe excluding Germany	1	0.3%
Luxembourg	Western Europe excluding Germany	5	1.5%
Malaysia	Asia excluding Japan	3	0.9%
Mexico	Latin America	1	0.3%
Netherlands	Western Europe excluding Germany	10	3.0%
New Zealand	Australia & New Zealand	5	1.5%
Norway	Western Europe excluding Germany	1	0.3%
Philippines	Asia excluding Japan	7	2.1%
Poland	Eastern Europe, Middle East and Africa	1	0.3%
Portugal	Western Europe excluding Germany	5	1.5%
Singapore	Asia excluding Japan	3	0.9%
South Africa	Eastern Europe, Middle East and Africa	4	1.2%
Spain	Western Europe excluding Germany	17	5.1%
Sri Lanka	Asia excluding Japan	4	1.2%
Sweden	Western Europe excluding Germany	3	0.9%
Switzerland	Western Europe excluding Germany	18	5.4%
Taiwan; Province Of China	Asia excluding Japan	10	3.0%
Thailand	Asia excluding Japan	2	0.6%
United Kingdom	Western Europe excluding Germany	21	6.3%
United States	North America	34	10.2%
Undisclosed	Undisclosed	9	2.7%
Total		334	100.0%

Figure 3 below shows totals for each region:

Figure 3: Sample Breakdown by Region

Region	Number of Respondents	Proportion of Respondents
Asia excluding Japan	53	15.9%
Australia & New Zealand	6	1.8%
Eastern Europe, Middle East and Africa	7	2.1%
Germany	61	18.3%
Japan	26	7.8%
Latin America	11	3.3%
North America	38	11.4%
Western Europe excluding Germany	123	36.8%
Undisclosed	9	2.7%
Total	334	100.0%

Sample Breakdown by Industry

Figure 4 below shows the number and proportion of firms in each industry.

Figure 4: Sample Breakdown by Industry

Industry	Number of Respondents	Proportion of Respondents
Automobiles	13	3.9%
Business Services	7	2.1%
Chemicals	20	6.0%
Consumer	51	15.3%
Consumer Finance	8	2.4%
Diversified & Conglomerates	8	2.4%
Health Care & Pharmaceuticals	14	4.2%
Industrials and Materials	65	19.5%
Media	12	3.6%
Metals and Mining	12	3.6%
Oil and Gas	14	4.2%
Technology	23	6.9%
Telecommunications	10	3.0%
Transportation Services	23	6.9%
Utilities	18	5.4%
Undisclosed & Other	36	10.8%
Total	334	100.0%

Sample Breakdown by Credit Rating

Figure 5, below, shows the number of firms indicating that they had a rating from a particular rating agency:

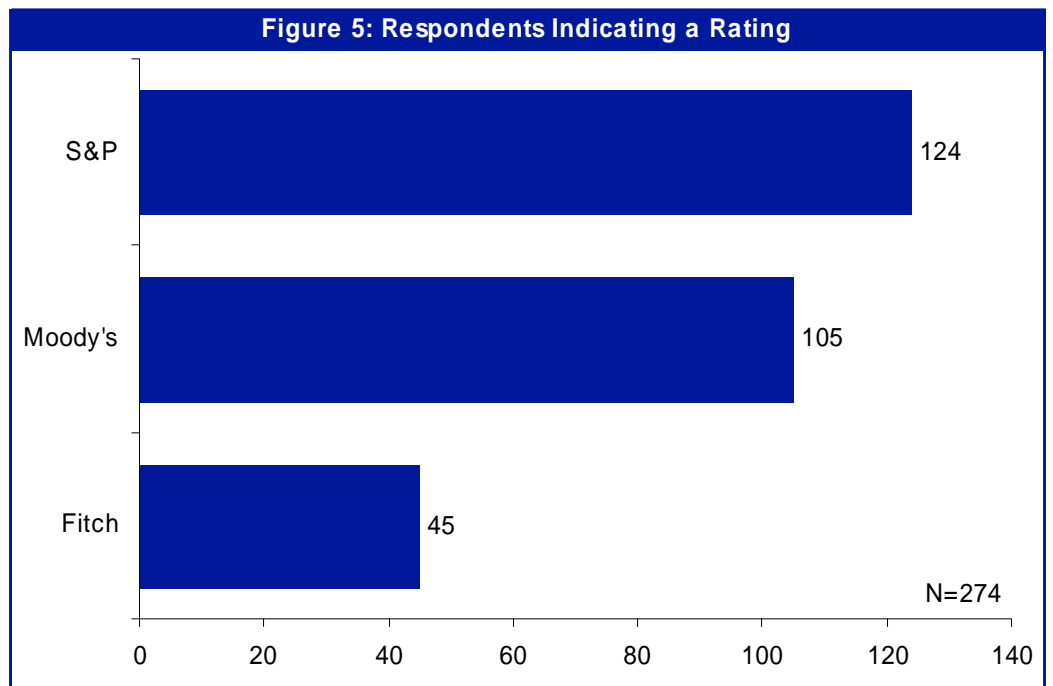
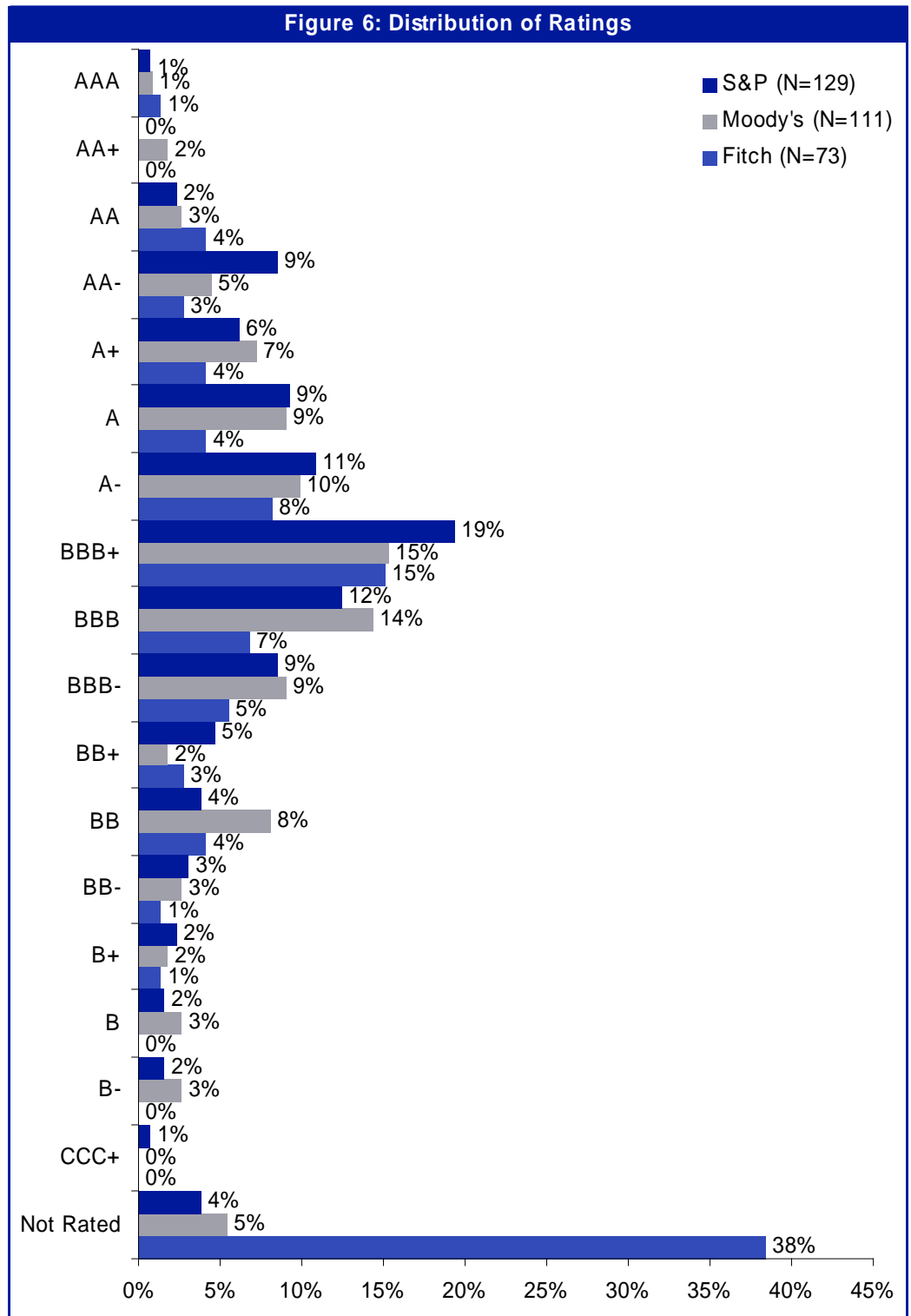


Figure 6 shows the distribution of ratings, with Moody's ratings translated onto a AAA, AA+, AA, ..., B-, C++ scale for ease of analysis.



Note that the proportion of firms specifically indicating “Not Rated” is low and we suspect that many unrated firms simply ignored the question.

For analysis, we split the sample into four categories: Investment Grade, Non-investment Grade, Not Rated and Undisclosed. We used the rating agency definitions of Investment Grade (BBB- or above at S&P and Fitch, Baa3 or above at Moody’s) to determine the grade at each agency. Figure 7 below shows how the individual grades are consolidated into an overall grade.

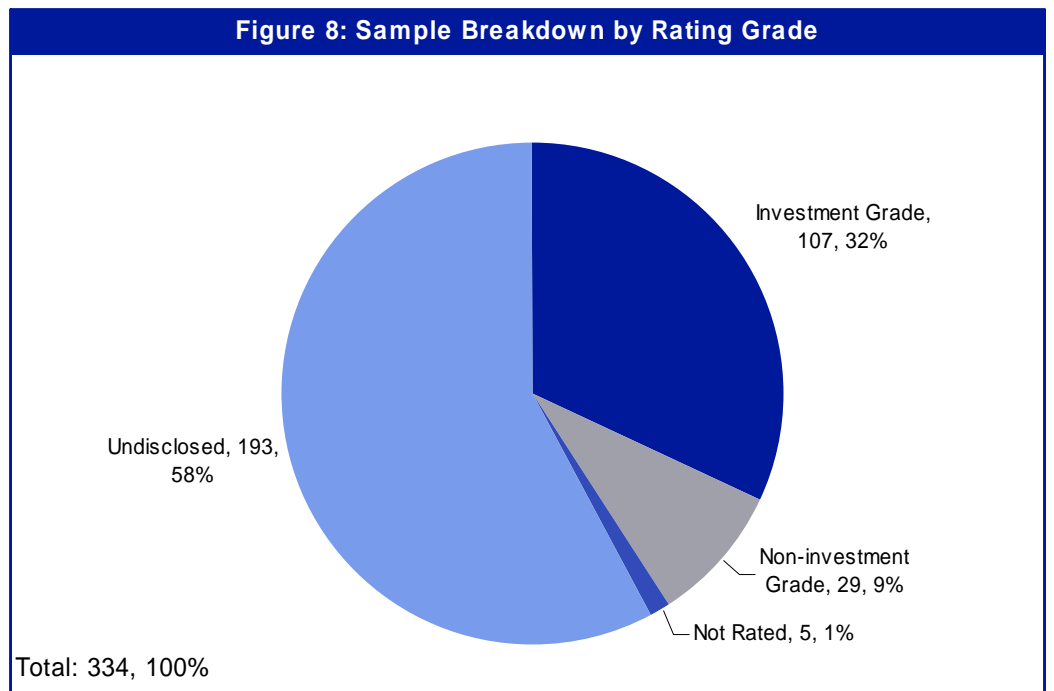
Figure 7: Rating Grade Consolidation

Number of Investment Grade Ratings	Number of Non-Investment Grade Ratings	Overall Grade
3	0	Investment
2	0	Investment
1	0	Investment
2	1	Investment
1	1	Non-Investment
0	1	Non-Investment
1	2	Non-Investment
0	2	Non-Investment
0	3	Non-Investment

If two agencies agree on the rating grade then we take that grade. If there are only two ratings and one is investment grade while the other is non-investment grade then treat the firm as non-investment grade.

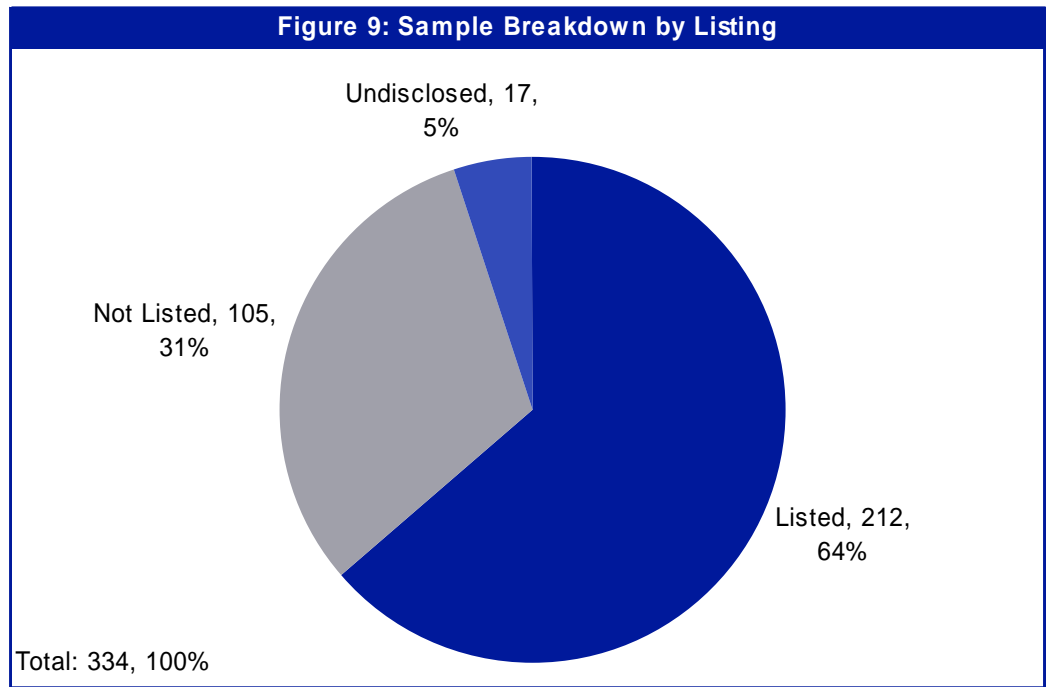
The final breakdown of rating grades is shown below:

Figure 8: Sample Breakdown by Rating Grade



Sample Breakdown by Listing

Figure 9 below shows the proportion of firms whose equity is listed on a stock exchange.



Corporate Financial Policies and Practices Series

Following an extensive survey of Global Corporate Financial Policies and Practices, undertaken jointly with Professor Henri Servaes (London Business School) and Professor Peter Tufano (Harvard Business School), along with our secondary project sponsors, the Global Association of Risk Professionals (GARP), we are pleased to provide corporate clients with extensive information covering:

Research Papers	Published
CFO Views on the Importance and Execution of the Finance Function	Jan 2006
The Theory and Practice of Corporate Capital Structure	Jan 2006
The Theory and Practice of Corporate Debt Structure	Feb 2006
The Theory and Practice of Corporate Liquidity Policy	Jan 2006
The Theory and Practice of Corporate Dividend and Share Repurchase Policy	Feb 2006
The Theory and Practice of Corporate Risk Management Policy	Feb 2006
The Questions and Sample of the Global Survey of Corporate Financial Policies and Practices	Jan 2006

The above reports can be accessed, free of charge, online at: www.dbbonds.com/lsg/reports.jsp. Alternatively you can order a CD by sending an email to: finance.survey@db.com.

In addition to the abovementioned research papers, both the website and CD contain streaming video of Professors Servaes and Tufano presenting an overview of the results at a Deutsche Bank hosted conference.

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