The global environment of the financial executive

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Deloitte

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Agenda

CFO Signals™: Perspectives from financial executives

Looking behind the data: Key themes

Changing with the environment: How CFOs are responding
CFO Signals™
What top finance executives are thinking – and doing
Company growth projections

Sales growth

<table>
<thead>
<tr>
<th>Quarter</th>
<th>3Q13</th>
<th>2Q14</th>
<th>3Q14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth</td>
<td>5.0%</td>
<td>6.1%</td>
<td>6.8%</td>
</tr>
</tbody>
</table>

Earnings growth

<table>
<thead>
<tr>
<th>Quarter</th>
<th>3Q13</th>
<th>2Q14</th>
<th>3Q14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth</td>
<td>8.0%</td>
<td>8.9%</td>
<td>10.9%</td>
</tr>
</tbody>
</table>

Domestic Hiring

<table>
<thead>
<tr>
<th>Quarter</th>
<th>3Q13</th>
<th>2Q14</th>
<th>3Q14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth</td>
<td>1.3%</td>
<td>1.6%</td>
<td>2.3%</td>
</tr>
</tbody>
</table>

Capital Spending

<table>
<thead>
<tr>
<th>Quarter</th>
<th>3Q13</th>
<th>2Q14</th>
<th>3Q14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth</td>
<td>4.9%</td>
<td>6.8%</td>
<td>5.0%</td>
</tr>
</tbody>
</table>
Economy optimism

North America

Current Status

One Year From Now

Europe

Current Status

One Year From Now

China

Current Status

One Year From Now

Very good

Neutral

Very bad

Much better

Same

Much worse

3Q13

4Q13

1Q14

2Q14

3Q14
Own-company optimism

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Thumbs Up (%)</th>
<th>Thumbs Down (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>3Q13</td>
<td>42%</td>
<td>24%</td>
</tr>
<tr>
<td>4Q13</td>
<td>54%</td>
<td>21%</td>
</tr>
<tr>
<td>1Q14</td>
<td>47%</td>
<td>20%</td>
</tr>
<tr>
<td>2Q14</td>
<td>44%</td>
<td>19%</td>
</tr>
<tr>
<td>3Q14</td>
<td>44%</td>
<td>12%</td>
</tr>
</tbody>
</table>

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Own-company optimism around the globe

*Please note that the surveys conducted vary in timing, sample size and demographic of respondents. As such, these survey responses may not be a statistically accurate representation of the countries / regions identified. Please refer to the end of this publication for information on the scope and survey demographics for each participating survey.

*Additional information: A trend line has been plotted for this country as the survey is conducted on a semi-annual or annual basis.
Other key measures from around the globe

<table>
<thead>
<tr>
<th>Risk appetite</th>
<th>Uncertainty</th>
<th>Company Growth</th>
<th>Hiring</th>
<th>M&amp;A activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>The number of UK CFOs who say now is the time to take greater risk onto their balance sheets is at a seven-year high.</td>
<td>The proportion of German CFOs who rate uncertainty as high or very high has nearly tripled since the Spring. Of the UK CFOs who responded after the vote on Scottish independence, 30% rated uncertainty as above normal or higher — compared with 63% before the vote.</td>
<td>In the UK, expectations for sales are close to the four-year highs hit in Q2. Margins are positive in some countries as well, including 55% of Belgium’s finance chiefs who expect them to be better than expected.</td>
<td>A net balance of 9% of Switzerland’s CFOs expect to increase corporate hiring. In Finland, however, 38% of CFOs still foresee reductions in 2014, as do 21% of Austria’s CFOs.</td>
<td>Some 87% of the Netherlands’s CFOs expect M&amp;A activity to increase in the next 12 months, as do 65% of Sweden’s, 59% of Switzerland’s, and 56% of Australia’s.</td>
</tr>
</tbody>
</table>

While in Australia, risk appetite fell to it’s lowest level since June 2013.
Looking behind the data

Key themes
What worries CFOs most about the global environment?

1. Economic concerns about China and Europe

2. Geopolitical events such as the Ukraine crisis and conflict in the Middle East

3. Cyber-security continues to feature as a key concern amongst CFOs
**Economic concerns**

Characterized by uncertainty in China and Europe, finance executives around the globe continue to have fears on these key markets

<table>
<thead>
<tr>
<th>China</th>
<th>Europe</th>
</tr>
</thead>
<tbody>
<tr>
<td>Excessive investment driven by debt</td>
<td>Banks are selling assets and cutting back on lending</td>
</tr>
<tr>
<td>Not sustainable in the long term</td>
<td>Risk spreads high</td>
</tr>
<tr>
<td>Declining consumer share of economy will eventually be reversed</td>
<td>Inadequate investment, consumer spending</td>
</tr>
<tr>
<td>Reforms desperately needed</td>
<td>Growth has stopped</td>
</tr>
<tr>
<td>China's central bank recently cut benchmark interest rates for the first time in two years</td>
<td>Inflation near zero</td>
</tr>
<tr>
<td></td>
<td>Investors are rushing for government bonds while euro area equities have had a poor year</td>
</tr>
</tbody>
</table>
Geopolitical events
Meanwhile, geopolitical risk is an increasing concern for finance executives with almost daily headlines of political tension in key regions.

China defends land reclamation in West Philippine sea

War fears decimate Russia stocks

Island dispute set aside for now

US ‘set to launch air strikes’ on senior Isis terror chiefs in Syria

Ukraine crisis spreads as Russians advance
Cyber-security
CFOs — are fighting a multifront, long-term battle where victory is difficult to measure. To have any chance of winning the cyber wars, however, there are several realities that CFOs should understand:

1. Your information network will be compromised.

2. Physical security and cybersecurity are increasingly linked.

3. Cyber damages go beyond dollars.

4. Everything can’t be protected equally.

5. Your walls are probably high enough.

Changing with the environment
How CFOs are responding
CFOs play four critical roles in companies

The Four Faces of the CFO

**Catalyst**
Catalyze behaviors across the organization to execute strategic and financial objectives while at the same time creating a risk intelligent culture

**Steward**
Protect and preserve the critical assets of the organization and accurately report on financial position and operations to internal and external stakeholders

**Strategist**
Provide financial leadership in determining strategic business direction, M&A, financing, capital market and longer term strategies vital to the future performance of the company

**Operator**
Balance capabilities, talent, costs and service levels to fulfill the finance organization’s core responsibilities efficiently
CFOs play four critical roles in companies

CFO Transition Lab™ data from newly appointed CFOs

**Catalyst – 22%**
Catalyze behaviors across the organization to execute strategic and financial objectives while at the same time creating a risk intelligent culture

**Steward – 27%**
Protect and preserve the critical assets of the organization and accurately report on financial position and operations to internal and external stakeholders

**Strategist – 21%**
Provide financial leadership in determining strategic business direction, M&A, financing, capital market and longer term strategies vital to the future performance of the company

**Operator – 30%**
Balance capabilities, talent, costs and service levels to fulfill the finance organization’s core responsibilities efficiently

Data as of Dec 1st, 2014
CFOs play four critical roles in companies

CFO Signals™ data from CFOs

Catalyst – 24%
Catalyze behaviors across the organization to execute strategic and financial objectives while at the same time creating a risk intelligent culture

Steward – 22%
Protect and preserve the critical assets of the organization and accurately report on financial position and operations to internal and external stakeholders

Strategist – 31%
Provide financial leadership in determining strategic business direction, M&A, financing, capital market and longer term strategies vital to the future performance of the company

Operator – 23%
Balance capabilities, talent, costs and service levels to fulfill the finance organization’s core responsibilities efficiently

Finance Function

Leading edge

Threshold Performance

Execution

Control

Efficiency

2Q11

3Q13

2Q10