



The global environment of the financial executive

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Agenda

CFO Signals™: Perspectives from financial executives

Looking behind the data: Key themes

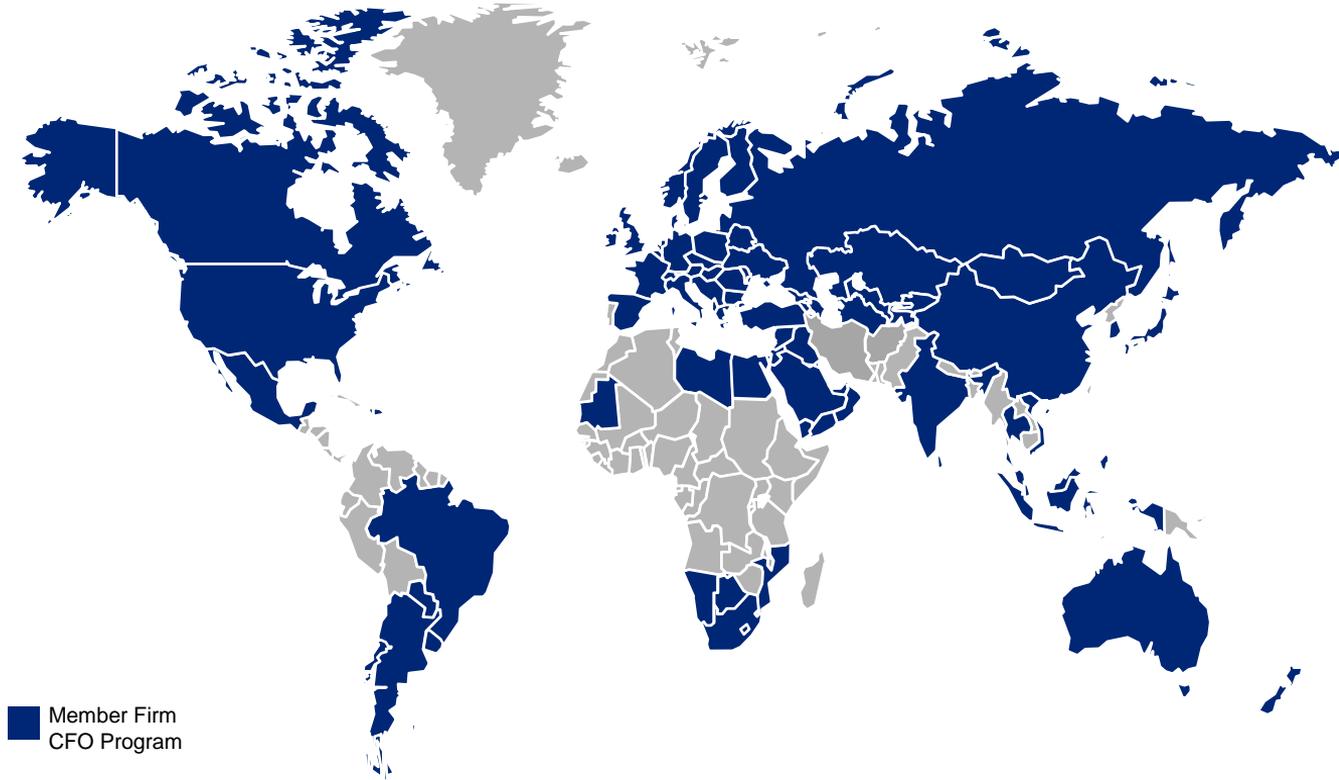
Changing with the environment: How CFOs are responding

CFO Signals™

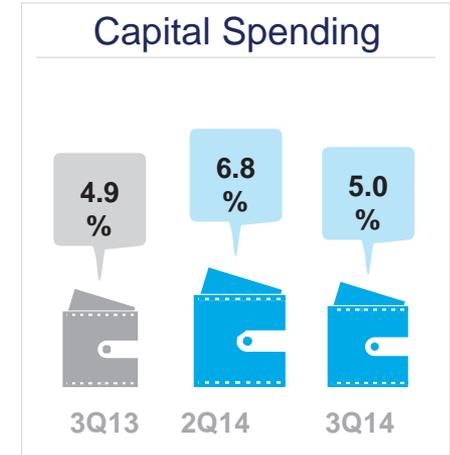
Perspectives from
financial executives

CFO Signals™

What top finance executives are thinking – and doing



Company growth projections



Economy optimism



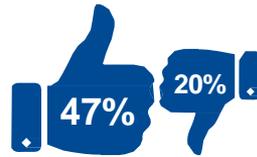
Own-company optimism



3Q13



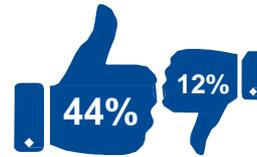
4Q13



1Q14

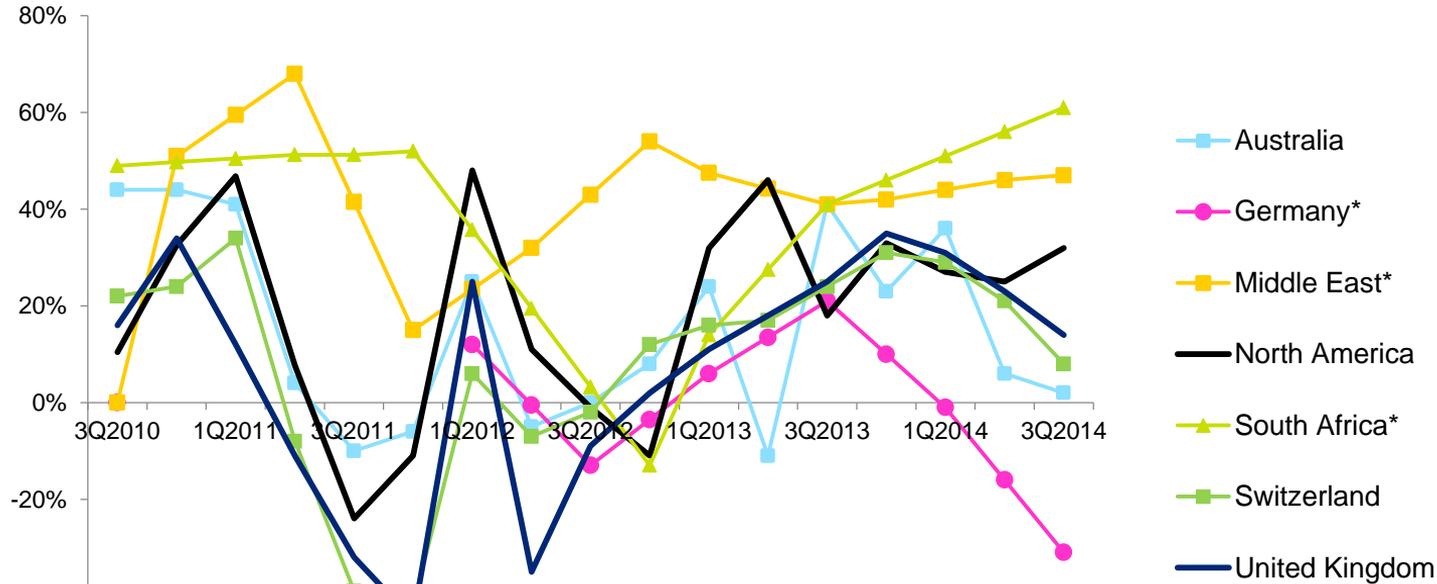


2Q14



3Q14

Own-company optimism around the globe



*A trend line has been plotted for this country as the survey is conducted on a semi-annual or annual basis.

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.

Other key measures from around the globe



Risk appetite

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.

While in **Australia**, risk appetite fell to its lowest level since June 2013.



Uncertainty

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.



Company Growth

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.



Hiring

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.



M&A activity

Some **87%** of the **Netherlands's** CFOs expect M&A activity to increase in the next 12 months, as do **65%** of **Sweden's**, **59%** of **Switzerland's**, and **56%** of **Australia's**.

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

China

- Excessive investment driven by debt
- Not sustainable in the long term
- Declining consumer share of economy will eventually be reversed
- Reforms desperately needed
- China's central bank recently cut benchmark interest rates for the first time in two years

Europe

- Banks are selling assets and cutting back on lending
- Risk spreads high
- Inadequate investment, consumer spending
- Growth has stopped
- Inflation near zero
- Investors are rushing for government bonds while euro area equities have had a poor year

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

Strategist

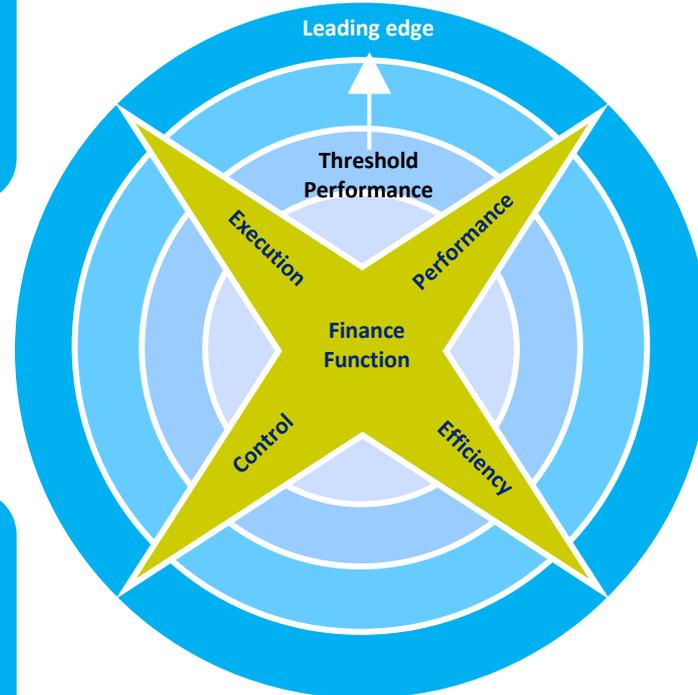
Provide financial leadership in determining strategic business direction, M&A, financing, capital market and longer term strategies vital to the future performance of the company

Steward

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

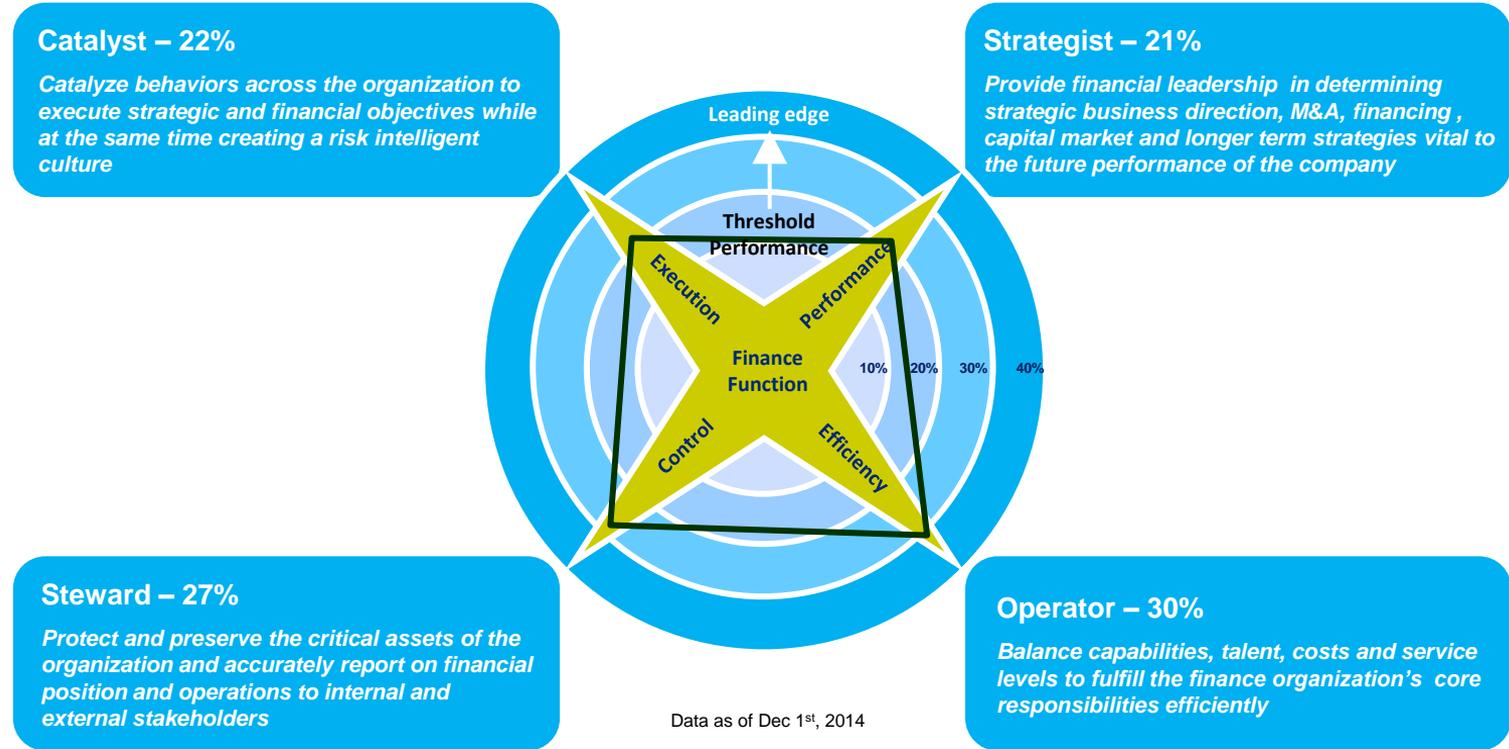
Operator

Balance capabilities, talent, costs and service levels to fulfill the finance organization's core responsibilities efficiently



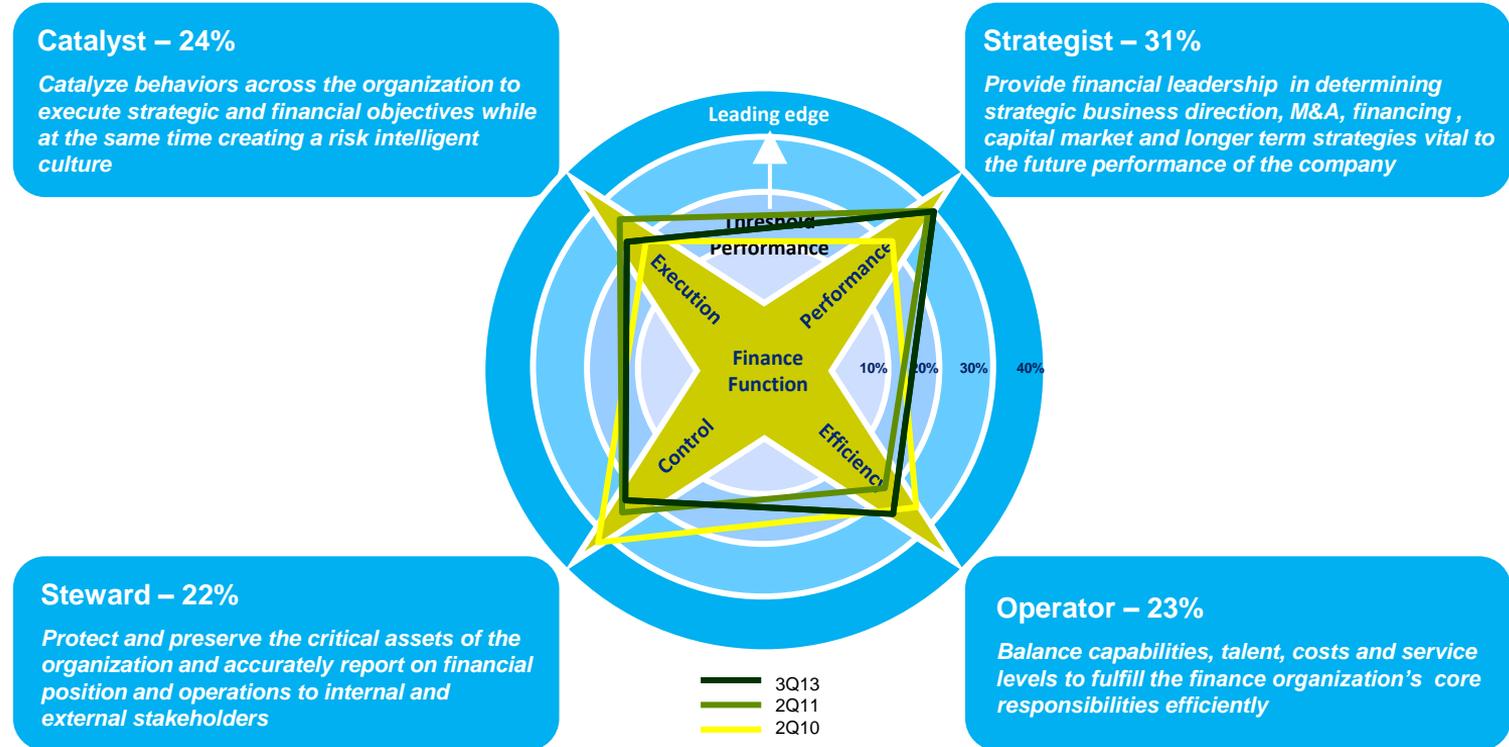
CFOs play four critical roles in companies

CFO Transition Lab™ data from newly appointed CFOs



CFOs play four critical roles in companies

CFO Signals™ data from CFOs



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