

The CFO Programme

Climate change: the CFO's perspective
2022 Central Europe CFO Survey – supplement

This survey was conducted between October and December 2021 in 15 Central European countries: Albania, Bosnia and Herzegovina, Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Kosovo, Latvia, Lithuania, Poland, Romania, Serbia, Slovakia and Slovenia, with 592 CFO respondents.

1. As a result of rounding, responses to the questions covered in this report may not aggregate to 100.

2. Due to the limited number of responses from CFOs in Albania and from the Public Sector, we are not showing separately data concerning their results in this report.

Today, the issues surrounding companies' response to the existing impacts and emerging risks associated with climate change are high on the agendas of business leaders everywhere.

This is why we have conducted an additional questionnaire alongside the annual Deloitte Central Europe CFO survey to ask participants about the measures their companies are planning or taking to address the challenges involved with tackling or adapting to climate change.

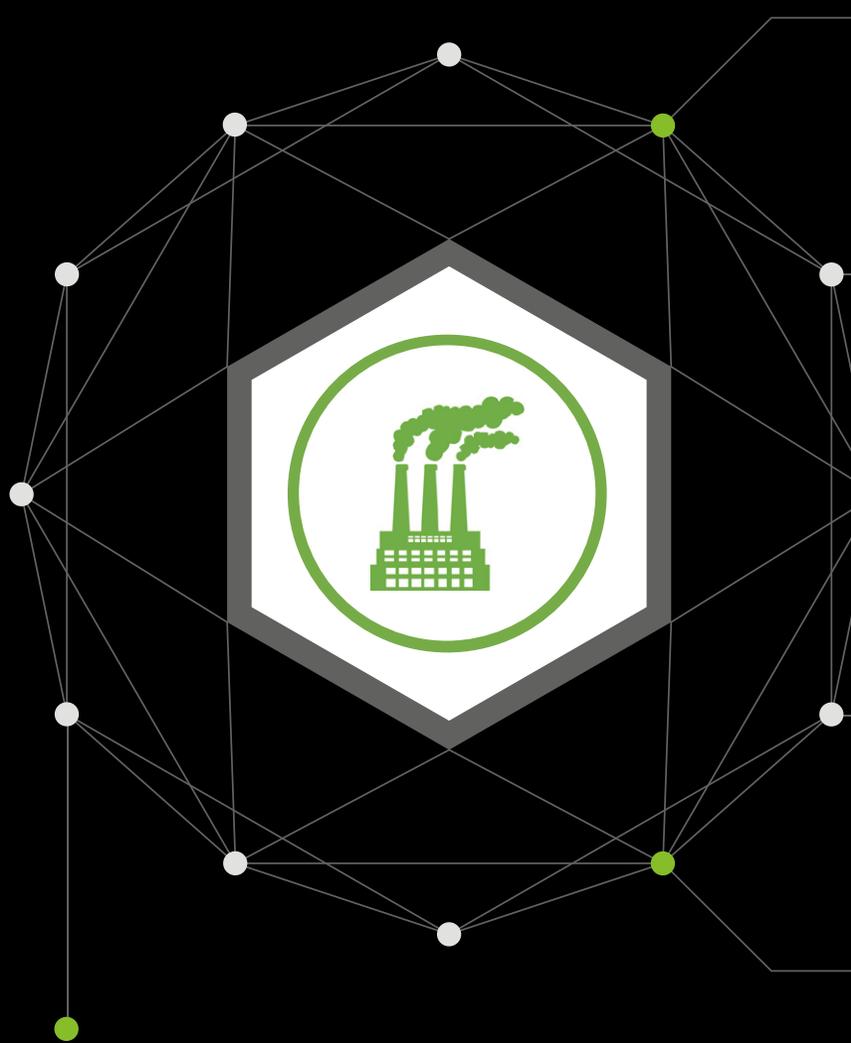
These are essential considerations. Politicians and legislators, regulators, customers, employees and other stakeholders all have a growing interest in holding companies to account as the growing weight of scientific evidence points to the increasingly visible and accelerating changes to weather patterns that are being driven by business activities.

As a result, the business landscape is shifting fast, exposing companies to the transition risks associated with fast-changing technologies, markets and regulations that are driving cost increases and, in some cases, causing business models to be re-evaluated.

The role of the CFO, both as a senior business decision-maker and the guardian of the organisation's financial performance, is a critical one.

In this survey, we explore the views of nearly 600 finance leaders across 15 Central European countries. In addition, we learn about the actions their companies are planning or taking to offset some of the potential impacts, from cost increases and reputational damage to tougher regulation and pressure to change.

We hope you find this a valuable addition to the debate around companies' response to the challenges involved with climate change – something that really matters to everybody.



● Half of the CFOs we surveyed (49%) report that their companies do not as yet have a detailed plan to reduce carbon emissions.

● The proportion of firms with a decarbonisation strategy is particularly high in the Energy, Utilities and Mining and the Consumer Business sectors.

● Only 31% of the companies with a plan to reduce their carbon emissions are aiming to achieve their goals by 2030.

● More than half of the CFOs we surveyed said their organisations have no specific time frame for their carbon-reduction efforts.

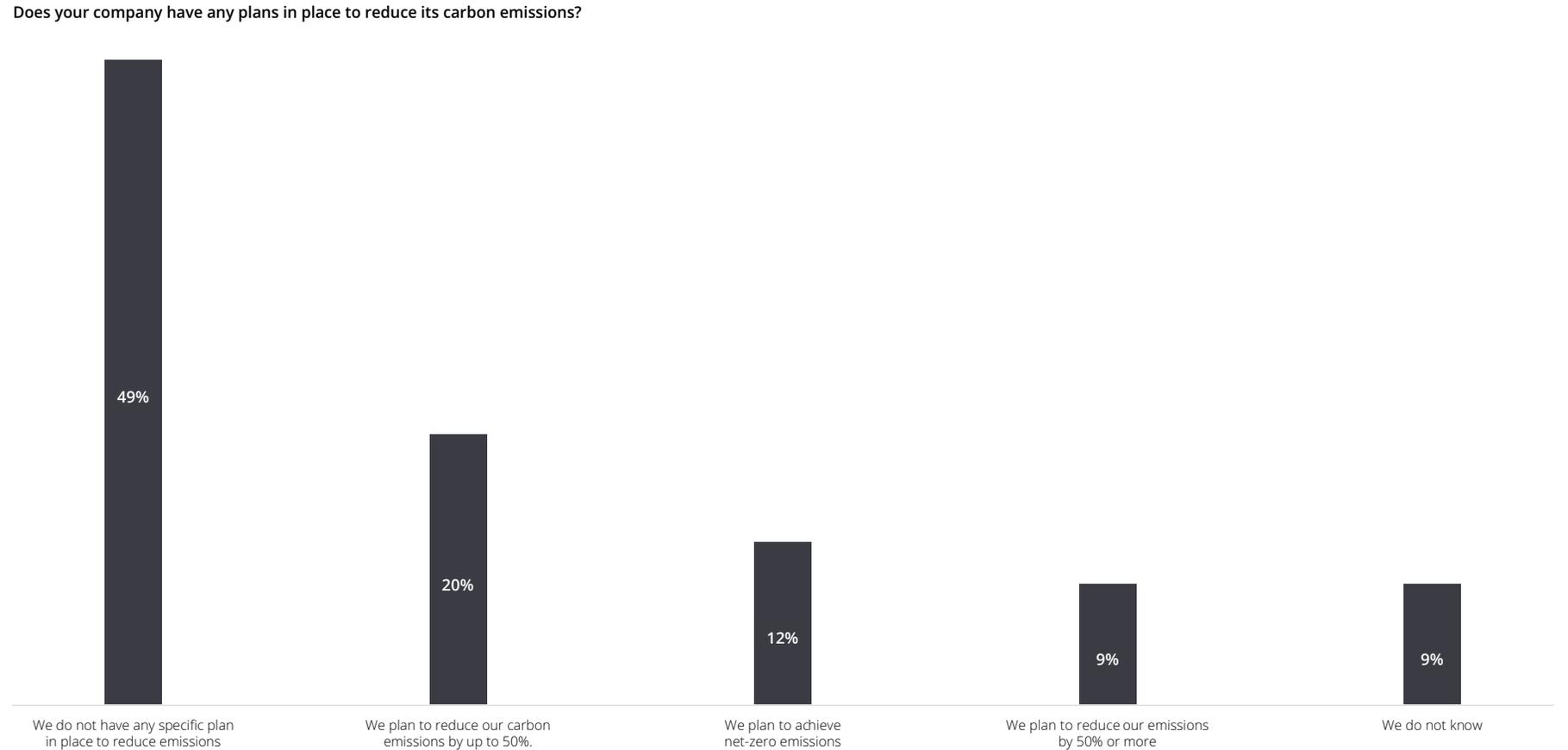
● More than 40% of the CFOs we surveyed told us that the greatest motivating factor is the opportunity to save costs by taking action on climate change.

The majority of CFOs (58%) are reducing or planning to reduce in-house emissions through incremental change.

Contrasting plans, diverse targets

One of the first steps for companies to take when defining the action they need to take on climate change is to set a carbon-reduction target. To do this, they need to consider by how much they can realistically reduce their carbon emissions, in which areas and over what time frame.

Well over a third (41%) of the companies we engaged with have a specific plan for by how much to reduce their carbon emissions. However, half of the CFOs we surveyed (49%) report that their companies do not as yet have a detailed plan to reduce carbon emissions. A further 9% do not know if their organisations have an agenda to reduce carbon emissions.



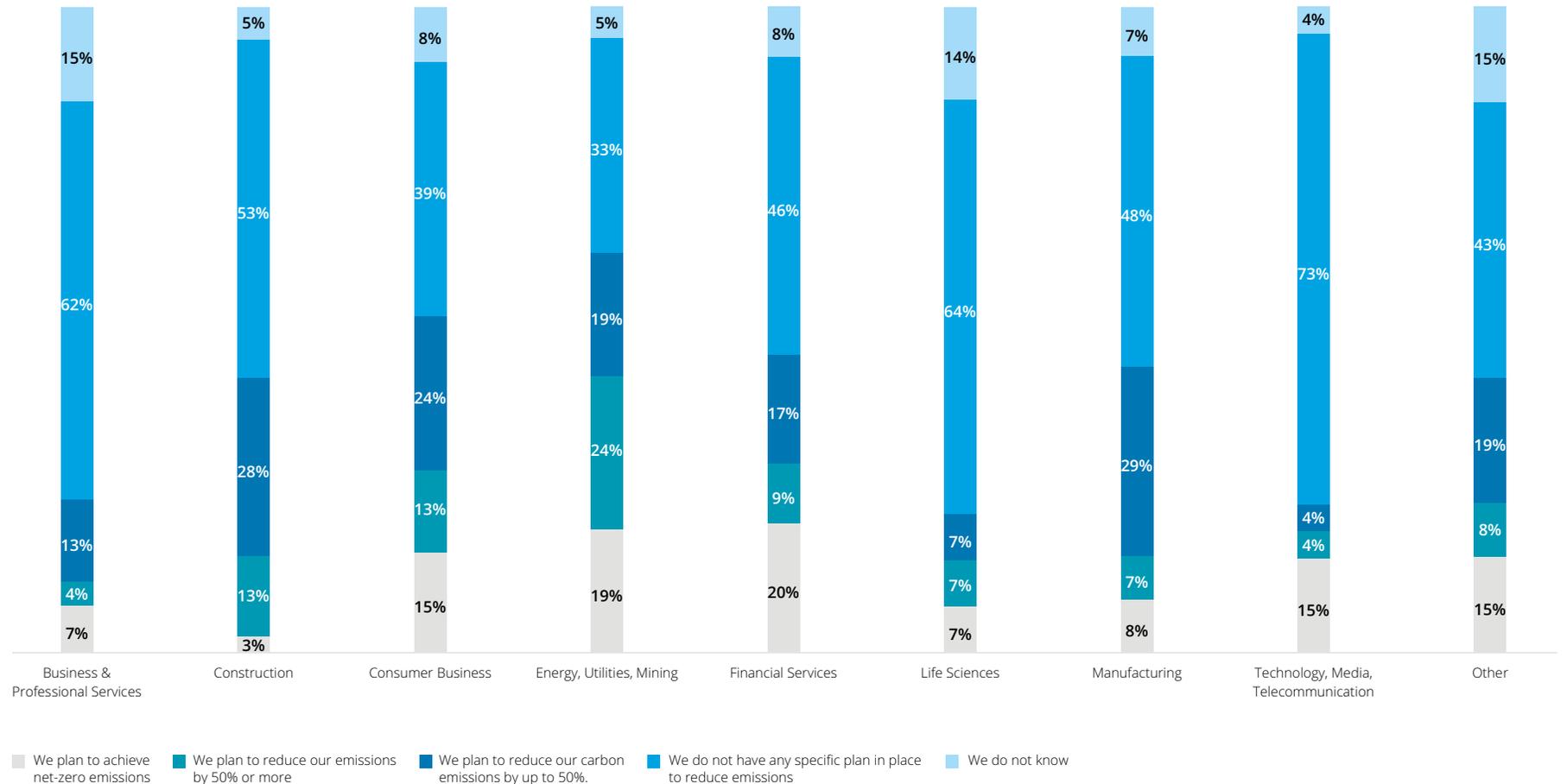
Almost 30% of Slovak companies are planning to achieve net-zero emissions, a view shared by almost a quarter of respondents from Slovenia and Estonia. Most CFOs from all the countries participating in our survey (except for among those from Slovakia) told us their companies have no specific plans in place to reduce emissions.

Does your company have any plans in place to reduce its carbon emissions?

Country	We plan to achieve net-zero emissions	We plan to reduce our emissions by 50% or more	We plan to reduce our carbon emissions by up to 50%	We do not have any specific plan in place to reduce emissions	We do not know
Bosnia and Herzegovina	11%	11%	22%	39%	17%
Bulgaria	6%	0%	44%	50%	0%
Croatia	10%	14%	34%	34%	7%
Czech Republic	10%	6%	18%	61%	5%
Estonia	22%	11%	22%	44%	0%
Hungary	18%	4%	18%	46%	14%
Kosovo	0%	0%	38%	38%	25%
Latvia	12%	12%	23%	47%	5%
Lithuania	17%	6%	17%	56%	6%
Poland	6%	6%	11%	63%	14%
Romania	15%	16%	25%	37%	8%
Serbia	14%	7%	7%	57%	14%
Slovakia	28%	17%	22%	17%	17%
Slovenia	23%	8%	23%	38%	10%

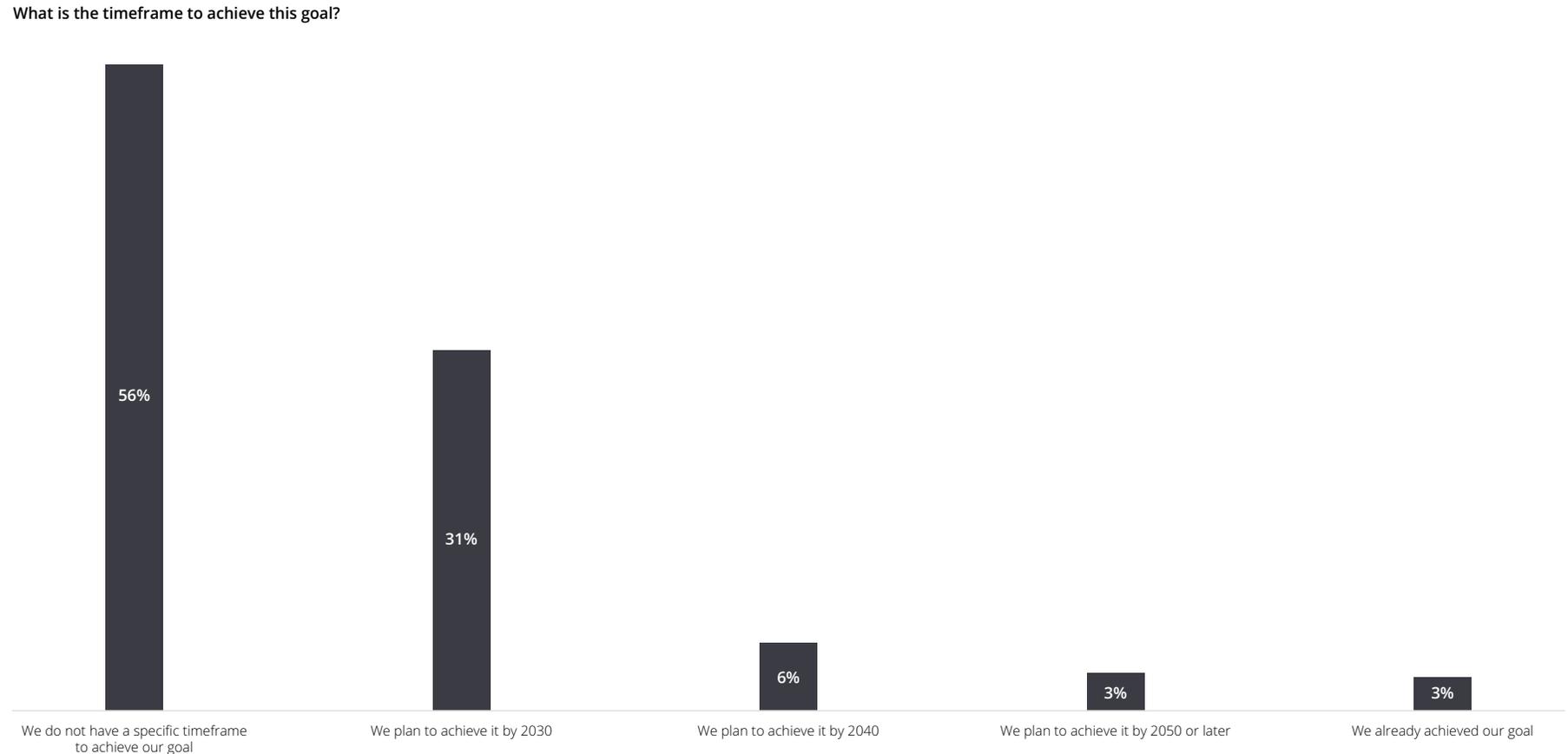
According to the industry-level results, plans are further advanced in some industries than in others. The proportion of firms with a decarbonisation strategy is particularly high in the Energy, Utilities and Mining and the Consumer Business sectors. At the other extreme, the Business & Professional Services, the Technology, Media, Telecommunication, and the Life Sciences sectors are the least likely to have plans in place for reducing their carbon emissions.

Does your company have any plans in place to reduce its carbon emissions?



Timeframes: major variations between companies and industries

Only 31% of the companies with a plan to reduce their carbon emissions are aiming to achieve their goals by 2030. More than half of the CFOs we surveyed said their organisations have no specific time frame for their carbon-reduction efforts. A small minority of companies (3%) have achieved their targets already. About 6% are giving themselves almost two decades, until 2040, to meet their targets, while a small number (3%) have set a time frame of 2050 or later.



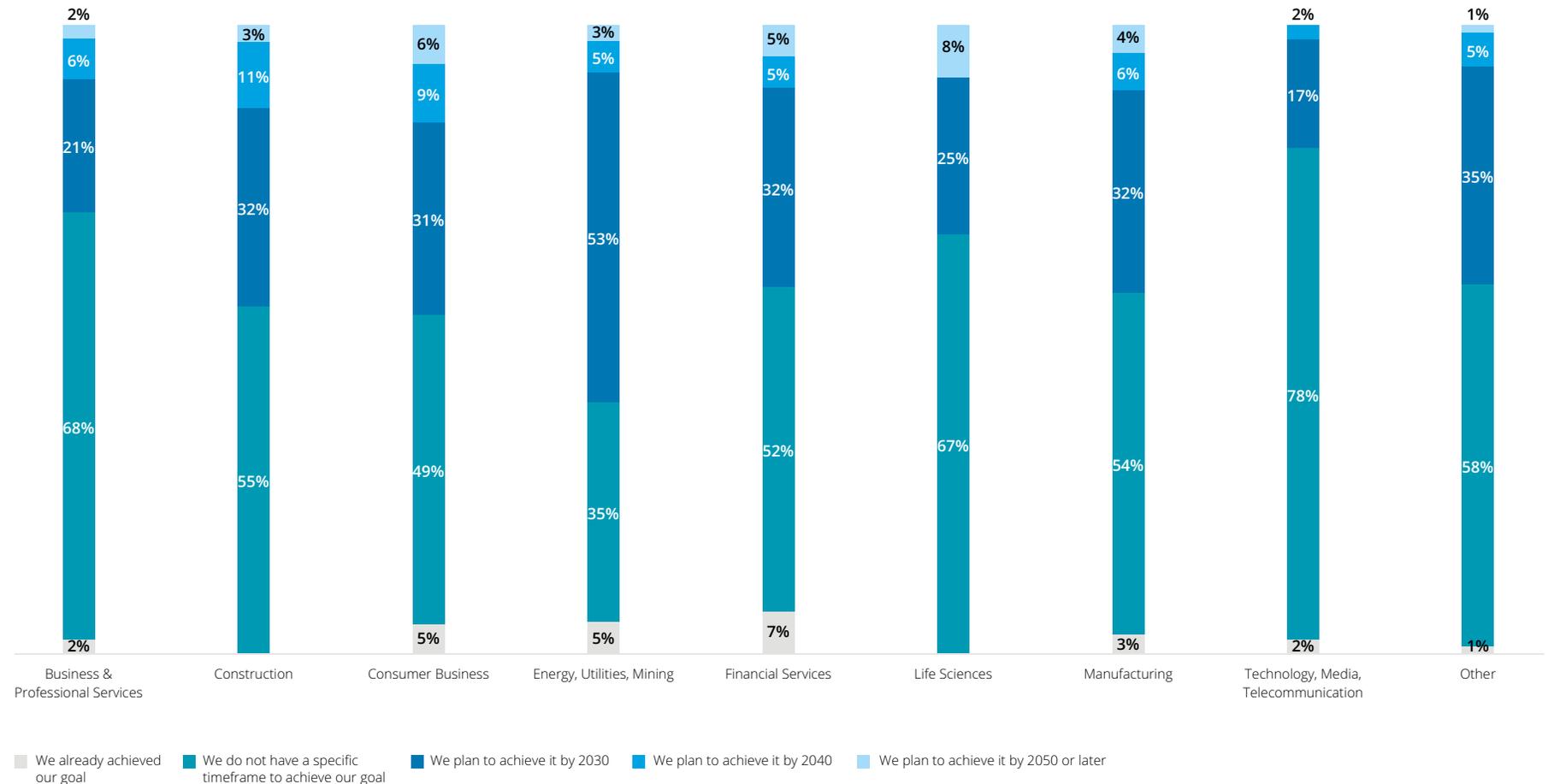
There is little variation between the time-plans developed by companies in different countries. Only Slovakia stands out, with a major contrast between the 47% of CFOs whose companies plan to achieve their goals by 2030 and the 20% with no specific timeframe in place.

Does your company have any plans in place to reduce its carbon emissions?

2022	We already achieved our goal	We do not have a specific timeframe to achieve our goal	We plan to achieve it by 2030	We plan to achieve it by 2040	We plan to achieve it by 2050 or later
Bosnia and Herzegovina	0%	47%	47%	0%	7%
Bulgaria	0%	61%	33%	6%	0%
Croatia	4%	41%	41%	11%	4%
Czech Republic	1%	64%	24%	8%	3%
Estonia	0%	56%	33%	11%	0%
Hungary	0%	58%	33%	4%	4%
Kosovo	0%	50%	50%	0%	0%
Latvia	4%	50%	43%	0%	4%
Lithuania	12%	59%	24%	6%	0%
Poland	4%	77%	15%	3%	1%
Romania	3%	46%	36%	9%	6%
Serbia	8%	58%	33%	0%	0%
Slovakia	0%	20%	47%	20%	13%
Slovenia	6%	42%	47%	3%	3%

A cross-industry comparison reveals one area of particular similarity relating to when companies expect to reach their carbon-reduction goals. This relates to the fact that in all sectors except one, around half (49%) of respondents or more admit to not having any specific timeframe in mind. The exception is the Energy, Utilities and Mining sector, in which companies are more focused than representatives of other industries on achieving their goals earlier than average (53% by 2030). We believe this reflects the fact that the technological innovations needed to reduce carbon emissions will probably take less time in this industry than in others.

What is the timeframe to achieve this goal?



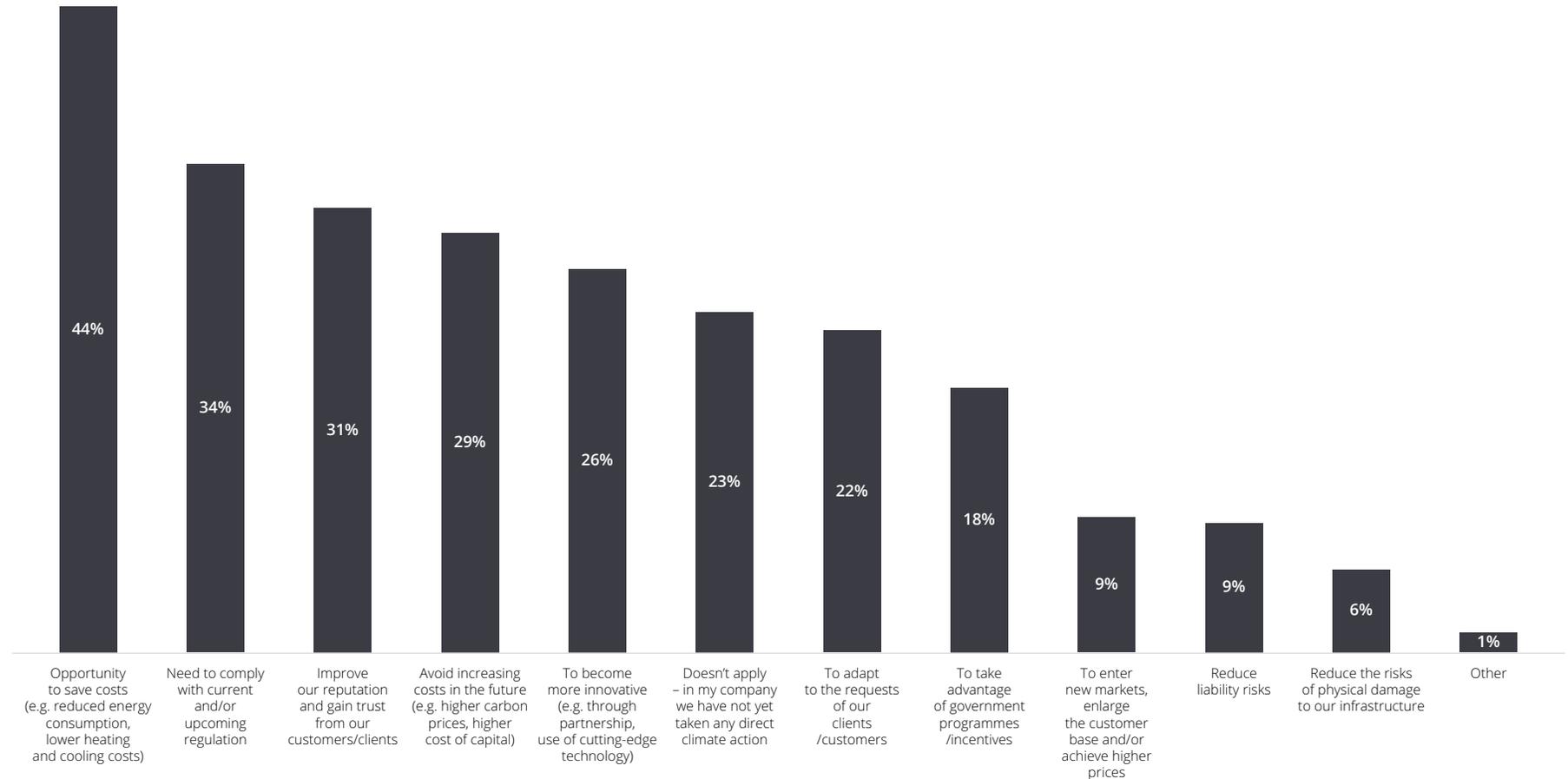
The main motivating factors behind climate action

Companies often rethink their behaviour to meet the expectations of stakeholders, and this is also the case when it comes to climate action. More than 40% of the CFOs we surveyed told us that the greatest motivating factor is the opportunity to save costs by taking action on climate change. Many have a different motivation, including:

- the need to comply with current and/or upcoming regulation (34%); and
- improving the reputation of their company and gaining trust from their customers and clients (31%).

Avoiding future cost increases (e.g. higher carbon prices, higher cost of capital) is the fourth most motivating factor, encouraging 29% of businesses to take action on the climate. Being able to adapt to the requests of their clients and customers, who have become increasingly aware of sustainability issues and are therefore demanding more climate-friendly products and services, is a motivating factor for slightly more than 20% of CFOs.

What are the major factors driving climate action in your organisation?



Since companies in different industries are facing varying expectations from different stakeholders, the main motivations also vary noticeably between industries. In the Manufacturing sector, for example, the opportunity to save costs (selected by 58%) drives climate action more than in other industries, while companies in the Construction sector (50%) are most motivated by the need to comply with current and/or upcoming regulation. For companies in the Energy, Utilities and Mining sector, avoiding increasing costs in the future (such as higher carbon prices, and higher cost of capital) is the main reason for becoming more sustainable (selected by 40%). Improving reputation and gaining trust from customers/clients is the main driving factor for 45% of CFOs in the Consumer Business sector.

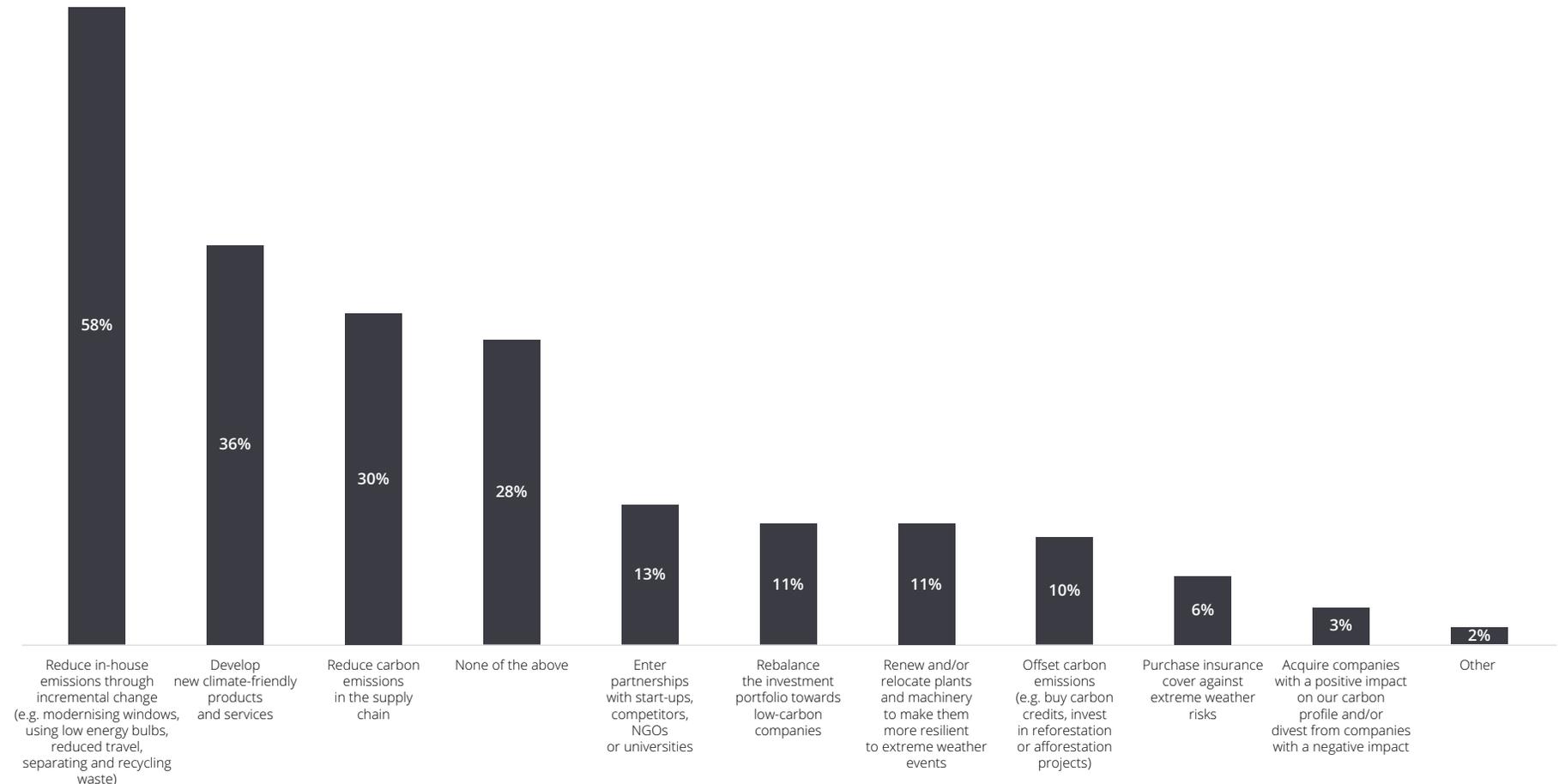
What are the major factors driving climate action in your organisation?

2022	Business & Professional Services	Construction	Consumer Business	Energy, Utilities, Mining	Financial Services	Life Sciences	Manufacturing	Technology, Media, Telecommunication	Other
Opportunity to save costs (e.g. reduced energy consumption, lower heating and cooling costs)	29%	53%	51%	48%	25%	7%	58%	33%	46%
To take advantage of government programmes/incentives	15%	13%	21%	31%	23%	7%	18%	6%	20%
Need to comply with current and/or upcoming regulation	29%	50%	28%	38%	43%	21%	38%	23%	27%
Avoid increasing costs in the future (e.g. higher carbon prices, higher cost of capital)	18%	30%	31%	40%	17%	14%	36%	19%	31%
To enter new markets, enlarge the customer base and/or achieve higher prices	4%	10%	6%	12%	9%	0%	13%	2%	13%
Reduce liability risks	5%	8%	6%	7%	15%	14%	13%	4%	6%
To become more innovative (e.g. through partnerships, using cutting-edge technologies)	24%	33%	25%	36%	28%	21%	23%	19%	31%
To respond to the requests of our clients/customers	29%	33%	20%	17%	20%	14%	23%	19%	21%
Reduce the risks of physical damage to our infrastructure	4%	13%	3%	10%	6%	7%	5%	2%	6%
Improving our reputation and gaining trust from our customers/clients	24%	18%	45%	33%	38%	21%	31%	21%	27%
Other	0%	5%	1%	0%	2%	0%	1%	2%	2%
Doesn't apply – in my company we have not yet taken any direct climate action	40%	13%	21%	10%	25%	57%	14%	50%	23%

The climate action companies are planning to take

There are numerous actions that businesses can take to reduce their carbon emissions. There is, however, no one-size-fits-all strategy as companies in different industries face different challenges. The majority of CFOs (58%) are reducing or planning to reduce in-house emissions through incremental change. In addition, 36% of participants in the survey aim to develop new climate-friendly products and services to meet their carbon-reduction goals and hence capitalise on growth opportunities due to the high demand for these products. This implies that the supply of climate-friendly products and services is likely to increase considerably in the future, offering consumers more scope to demonstrate their desire to act on climate change. Close to a third (30%) of companies are working on reducing carbon emissions in their supply chain, or are planning to do so.

Is your company taking or about to take any of the following activities to mitigate or adapt to climate change?



At an industry level, reducing in-house emissions is the first choice across the board, but with varying degrees of emphasis. In the Consumer Business sector, for example, 75% of CFOs mention this as a priority, whereas only 29% of companies in Life Sciences and 35% in Business & Professional Services report that they are reducing in-house emissions.

Developing new climate-friendly products and services is seen as the most relevant action for companies in Consumer Business (52%). Reducing carbon emissions in the supply chain is mentioned most also by CFOs representing the Consumer Business sector. By way of contrast, CFOs in the Technology, Media and Telecommunication sector see reducing emissions in the supply chain as least relevant.

Is your company taking or about to take any of the following activities to mitigate or adapt to climate change?

	Business & Professional Services	Construction	Consumer Business	Energy, Utilities, Mining	Financial Services	Life Sciences	Manufacturing	Technology, Media, Telecommunication	Other
Reduce in-house emissions through incremental change	35%	68%	75%	64%	35%	29%	66%	46%	64%
Develop new climate-friendly products and services	24%	38%	52%	26%	37%	21%	49%	21%	28%
Reduce carbon emissions in the supply chain	22%	38%	46%	33%	18%	29%	35%	10%	29%
Rebalance the investment portfolio towards low-carbon companies	4%	20%	7%	19%	37%	7%	3%	4%	6%
Acquire companies with a positive impact on our carbon profile and/or divest from companies with a negative impact	7%	3%	3%	10%	5%	0%	0%	2%	5%
Enter partnerships with start-ups, competitors, NGOs or universities	13%	13%	13%	19%	20%	7%	12%	15%	7%
Offset carbon emissions	7%	10%	11%	14%	3%	0%	9%	10%	15%
Renew and/or relocate plants and machinery to make them more resilient to extreme weather events	7%	15%	11%	17%	8%	0%	11%	6%	15%
Purchase insurance cover against extreme weather risks	4%	8%	3%	14%	3%	0%	6%	4%	10%
Other	2%	0%	0%	7%	0%	0%	1%	0%	3%
None of the above	49%	18%	17%	17%	35%	64%	22%	42%	24%

Contacts

Ferenc Póczak

Partner, CFO Programme Leader
Central Europe
fpoczak@deloittece.com

Katarzyna Swat

Senior Manager, Clients & Industries
CFO Programme
Central Europe
kswat@deloittece.com



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