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Deloitte CFO Survey:
The CFO's guide in dynamic and turbulent times
Economy, Digitalisation and Sustainability

Spring FY24| Dutch Perspective from the European CFO Survey

Introduction

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" The Dutch CFO Program is committed to empowering Chief Financial Officers, giving them the tools and insights to navigate the complexities of the business landscape. We're thrilled to present the Spring 2024 edition of the Dutch Deloitte CFO Survey! "

Twice a year, we engage with over 1,100 CFOs spanning across Europe, gathering their invaluable perspectives on an array of topics that are shaping the Finance agenda. This report, tailored specifically to CFOs located in the Netherlands, delves deep into their nuanced thoughts encompassing everything from risk assessment and inflation management to strategic planning. By leveraging the rich data and perspectives gathered from a sample of over 150 Dutch CFOs, we aim to provide a clear picture of the unique challenges and opportunities CFOs may face.

This edition is centralized around three themes—the economic outlook, digitalization, and sustainability—which we believe are having the largest influence on the agenda of the CFO in today's climate. By providing CFOs with insights into how their peers are viewing these topics, we hope to be a catalyst for the insight generation and discussions that will lead businesses to thrive in the Netherlands, especially in times of (geo)political uncertainty, rapid technological innovation, and an increasing regulatory.

On the **economic outlook**

The last couple of years saw large scale uncertainty hit the boardroom, a pandemic, a return of inflation, an increase in interest rates, and now widespread geopolitical unrest. This edition found that although uncertainty remains, CFOs are optimistic and are being asked to focus on creating value rather than heavily focusing on reducing costs.

On **digitalization**

The arrival of Artificial Intelligence and natural language processing has had a profound impact on the future of Finance. This fact is also recognized by CFOs, with 60% of strategic decisions to be made using of AI 5 years from now. While the ambition is clear, the budget to realize this goal remains limited. Besides, when many organizations still view themselves as limited in their digital maturity, their focus should now be on getting their data warehouse in order.

On **sustainability**

Lastly, with the implementation of CSRD, Finance is stepping up their ownership of the topic due to the data intensity and regulatory burden of the subject. They do so, not merely out of a compliance perspective, but also to try and position their organization in such a way that sustainability can drive value and become a strategic strength to their organizations

This survey, created by our Finance & Performance consulting team and CFO program team, was made in collaboration with several experts. A special thanks also to Douglas Wood (SBM Offshore), William Bontes (Louwman), Pieter Van Holten (Nutreco), and Ewout Hollegien (a.s.r.) for sharing with us their unique insights as practicing CFOs. I also want to thank my collegues Hassan Bettani, Iris Yates, and Yvonne Daas for their reflections which connected the results to broader trends within the market.

Join us as we explore further into these findings in the Spring 2024 Deloitte CFO Survey.

Results: Economy

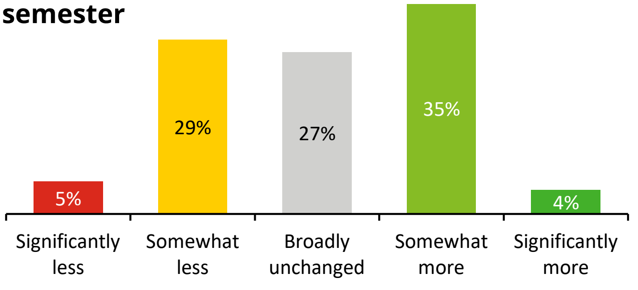
Optimistic CFOs, soft landing but high level of uncertainty

1. CFO optimism and a soft landing

After a period of economic uncertainty and difficulty, a new wind is blowing and with it comes optimism. While CFOs do caution that this sentiment is fragile, their number one focus has shifted away from cost reduction towards creating value

Although inflation remains elevated from its normal level and interest rates have not been able to be brought down again, no broad economic crisis has materialized either. The fact that a so-called *soft landing* appears to have been accomplished has not gone unnoticed by Dutch CFOs, with close to 40% of CFOs indicating they are more optimistic about their firm's financial prospects compared to six months prior.

Chart 1. Percentage of CFOs' optimism on firm's financial prospects compared to last semester



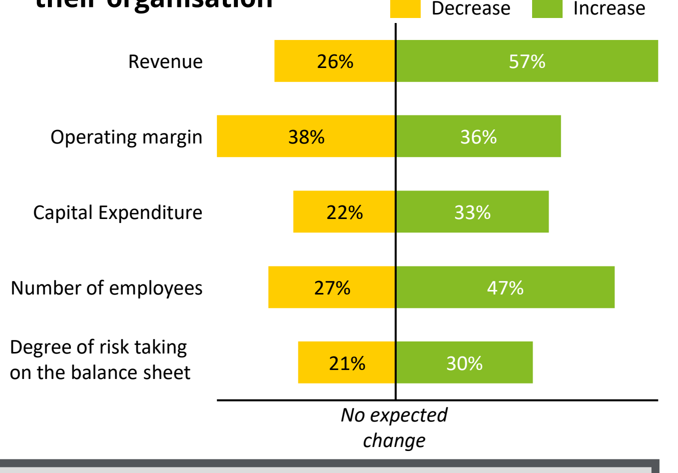
Interestingly, this positive economic outlook is especially prevalent within the construction sector and among non-listed companies. Previously, the survey had found the latter group to appear more pressure resistant amidst uncertainty, which could be a reason that allowed them to be better prepared when the economy began to improve. The percent of CFOs of Dutch-only companies that indicated feeling more positive lagged compared to that of firms with exposure to multiple markets. Pessimism prevails within the automotive, retail, and transportation industries. Each of these faces challenges in their supply chains that have become amplified by geopolitical tension.

Yvonne Daas| Partner - Consumer

In the Consumer Industry, CFO optimism is nuanced, balancing caution, which stems from geopolitical tensions impacting supply chains, and inflation. We see organizations responding by applying cost management strategies to maintain profit resiliency. Moreover, while they are attempting to improve their agility, companies are also bracing for the impact of impending regulatory changes--including CSRD, Pillar 2, and EU deforestation rules—forcing CFOs to steer through an evolving and challenging landscape.

This sentiment is reflected in the expectations surrounding the key metrics polled by this survey, each of which a majority of CFOs believes will increase over the coming 12 months. In fact, for the first time since the Covid-19 pandemic, margins are also leaning towards increasing, reflecting the extremely high confidence in the upcoming period.

Chart 2. CFO expectations on KPI changes in their organisation



Douglas Wood| CFO SBM Offshore

I have never felt this optimistic about the outlook for my firm since I began working at SBM offshore seven years ago. As a company that builds vessels for the deepwater production of oil and gas, the recent times showcased the complexity of the energy transition and emphasized that fossil fuels remain part of our energy mix for some time to come. Our market outlook is good and is driven by industry fundamentals: Not only does deepwater oil and gas deliver an excellent economic case for production, but its emission profile in terms of emissions per barrel produced is also lower than other forms of production. These facts lead our customers to push ahead with their investments in our product. Now, SBM Offshore is also looking beyond fossil fuels to utilize our technology for hydrogen and floating windfarms. Lastly, while the Dutch labour market is definitely a place of concern for many companies, we only have 10% of our workforce present in the Netherlands. However, challenges in hiring for support functions was one of the main reasons for us to set up a GBS in Porto.

2. Partnering with the business to drive value

A strong economic outlook changes the priorities on the agenda of the company. We find that CEOs are expecting the finance function to now help drive value creation

Within this climate of optimism, the Finance function is being directed by its CEO to focus on value creation. However, the recent past has shown firms how quickly a positive outlook can vanish, which is why cost reduction and agility have not dropped down the priority list completely. In fact, while lean operations will allow firms to be less impacted by a sudden drop in revenue, agility and resilience might very well become a driver of value within the current world of geopolitical uncertainty. To guarantee long term value creation, many firms are rethinking the business case to fully offshore production to include the cost of supply chain shocks in a world of geopolitical unrest.

This expectation from the business to have Finance as a partner in driving the strategic agenda has been incorporated by CFOs in their strategic priorities for the coming year. The main strategies that are pursued by CFOs remain focused on natural growth and cost consciousness, similarly to what was found in the previous survey. Interestingly, acquisitions—which fell just outside of the top 5—was considered a top priority for 26% of CFOs. This could indicate an increased interest in dealmaking activity in the market, especially among privately owned companies and in the energy domain.

Chart 3. CEO priority for the Finance function

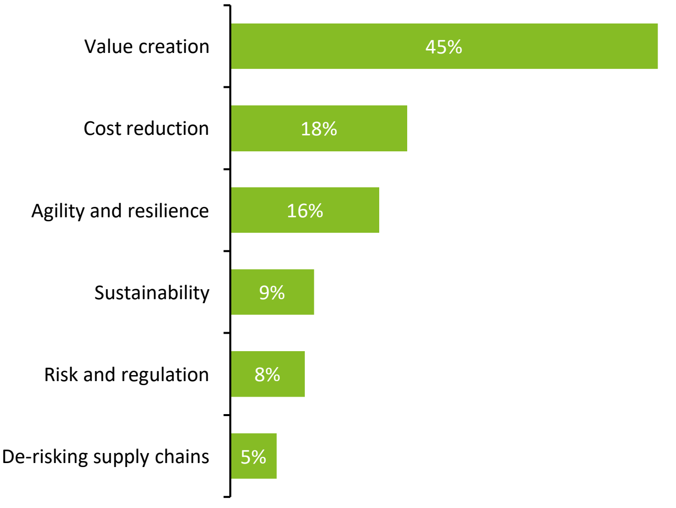
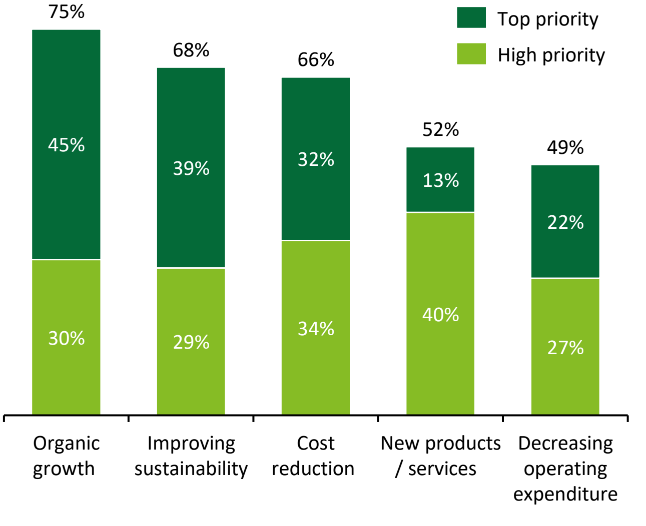


Chart 4. Top 5 strategies to be pursued over the coming 12 months



Pieter van Holten| CFO Nutreco

I have seen economic growth come back and when I look at Nutreco's performance and outlook, I see this positive trend reflected in our numbers as well. However, this growth has not come back uniformly around the world. While the Americas and Asia are both strong, Europe remains weak. The last two years taught us to become more specific in our choices: where do we invest? What do we pursue with R&D? Where do we conduct M&A activity? Additionally, the geopolitical situation is very dynamic, which means that organisations need to be more agile and do more scenario planning to deal with uncertainty. Nutreco also learned a lot from the recent supply chain shock, which led us to set up part of our procurement more regional. As CFO, normally I focus on costs, however, I'm willing to pay a premium for predictability. Lastly, I do worry about the Netherlands remaining a place where companies want to invest their money. When I was in China, I was impressed by their speed, in the Netherlands we are too slow and comfortable with ourselves.

3. Lingering uncertainty can rear its head

While the prevailing sentiment remains optimistic, risks from labour shortages to increased geopolitical tension could turn into a cold shower for Dutch economic outlook

Although the sentiment indicates a positive economic expectation, Dutch businesses also see the fragility of their current situation. Large labor shortages in the Netherlands, ever-larger geopolitical tension, and a still recovering economic outlook are the three highest ranked business risks polled by CFOs to disrupt the Dutch business climate. Additionally, the continuing demissionary government adds to the uncertainty, with business indicating they are closely following the political developments surrounding talent availability, the tax climate, energy security and capacity, and CO_2 and Nitrogen regulations.

Such uncertainty impacts strategic decision-making. This survey found that the current political climate in the Netherlands is having a negative impact on the number of employees that firms retain and the investments they aim to do for growth. In fact, it is leading to more internationalization, diversifying away local political risks. The current political landscape is having large increasing effect on company investments in sustainability, a topic on which Finance is increasingly being given ownership.

Chart 5. Top three risks to company business models as identified by CFOs

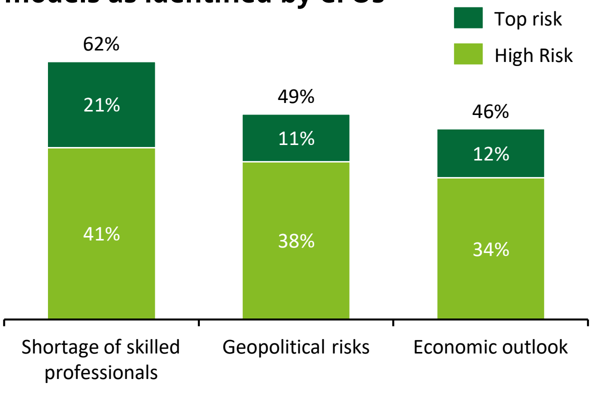
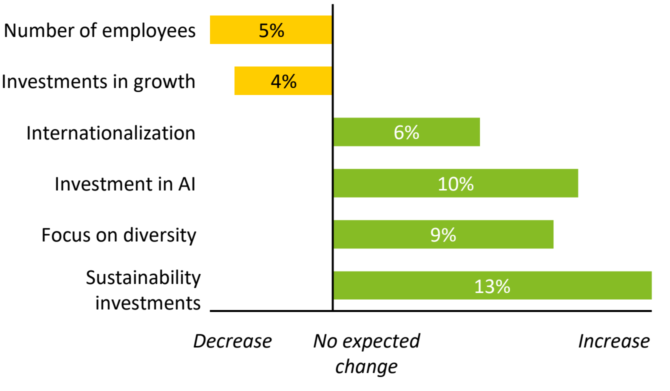


Chart 6. The expected effect of the current Dutch political landscape on strategic decisions



Iris Yates| Partner – Private Markets

I see a strong emphasis for many privately held and family-owned companies on future-proofing their business: creating sustainable growth for the long-term. The Finance function has many opportunities to play a major part in this strategy. Firstly, from an internal perspective by solidifying their steward role through leveraging innovation and digitalization. And secondly by acting as a catalyst for change in relation to external challenges ranging from ESG reporting to translating the volatility of global developments to business scenarios in order to enable better decision-making. An additional and very specific concern is the attractiveness of the Netherlands for companies and entrepreneurs with specific concerns being raised recent legislative developments and political uncertainty.

Hassan Bettani| Partner- Financial Services

CFOs are starting to perceive the current, uncertain, geopolitical environment as a new normal and the focus within financial services remains on reducing costs, especially in the Netherlands. Although geopolitical risks do affect some companies in this sector, their main focus is on the interest rate as this drives their profitability and stability. On the talent side, financial companies prefer to onshore their processes back to the Netherlands, even if off-shoring would cost less. However, the weakened 30%-tax ruling and uncertainty on immigration policies and are both making it harder to attract talent, and, instead, talent flows out of the country to the UK and Switzerland.

4. Geopolitical risk and supply chain challenges

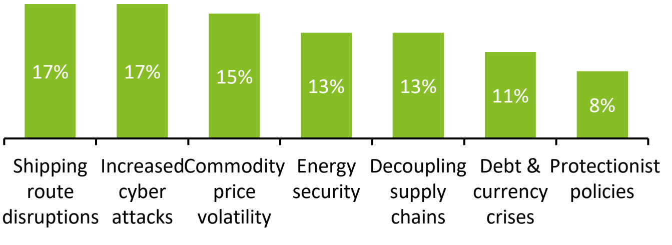
A core attribute of the Finance function is the role it plays in mitigating risks, but geopolitical challenges amplify existing risks and expose firms to new challenges

In recent years, geopolitical shifts have altered the world that business must navigate, from fully ceasing operational activity in certain regions, to having transport ships shot at. Within this ever-increasing unstable environment, CFOs indicate that they consider shipping route disruptions, increased cyber-attacks, and commodity price volatility as the top three largest risks they must mitigate. While these results were largely similar across industries, the automotive and financial services were outliers, indicating that protectionist policies and currency or debt crises are the largest risks to these sectors, respectively.

Ewout Hollegien| CFO a.s.r.

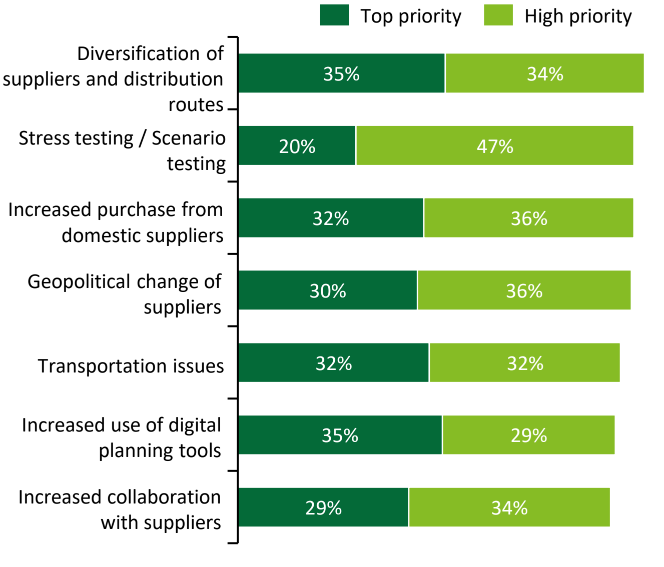
The current geopolitical climate is fraught with volatility, seeding widespread uncertainty in the global business landscape. Such unpredictability necessitates high levels of corporate agility, as companies must pivot swiftly in response to sudden shifts. This landscape often begets a trend of deglobalization, as organizations strive to mitigate risks by re-evaluating their international footprints and supply chains in the face of changing geopolitical dynamics.

Chart 7. Most severe geopolitical risks



To mitigate supply chain risks, CFOs are especially relying on supplier diversification and improving their stress testing and scenario testing capabilities. This diversification leads a lot of firms to purchase domestically, indicating that they are willing to pay more as a form of insurance in case another supply chain disruption occurs. Additionally, in order to have faster and better insights, CFOs are also relying more on the use of digital planning tools when it comes to modelling scenarios.

Chart 8. The highest priority actions CFOs are taking to bolster their supply chain



William Bontes| CFO Louwman

I am more cautious in my optimism. The recently published inflation figures remain higher than expected. The automotive sector is a capital-intensive industry and as long as interest rates remain high, it continues to be a tough environment for our capital-intensive assets. It simply makes our market segment more expensive. We also buy cars ready-made, so supply chain disruptions upstream from us are out of our control. This forces us to increase our inventories, which consequently leads to cost increases. Inventory had never been an issue for us before, and suddenly you had to go back to the basics of treasury and cash management: Days inventory outstanding went from being irrelevant to our most important KPI. This is compounded by the geopolitical climate: the detour that ships must take adds 10 days of freight costs to the bill. Additionally, Louwman represents BYD, a brand with a lot of potential, but the geopolitics surrounding Chinese brands does create additional challenges for us to navigate. Add to that the large dossiers on fiscal policy and the future of automotive which remain in limbo while there is a caretaker government.

Results: Digitalisation

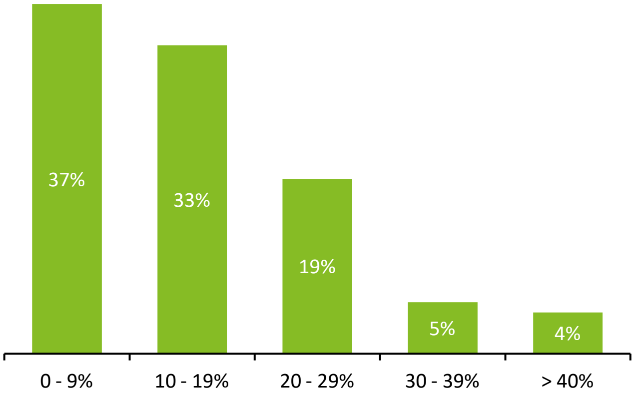
Expecting increase in efficiency

1. Digitalisation: Current AI Trends

AI trends currently indicate that both young and more established companies see AI as an opportunity, but despite this, funding for it remains limited

Navigating the complex landscape of today's business environment, leaders have traditionally relied on human expertise to steer strategic decisions, integrating artificial intelligence as a supportive tool rather than a driver. Despite CFOs anticipating AI will soon take a central role in strategic decision-making, current investment levels in this technology don't mirror the enthusiasm. Currently CFOs report that just about 10% of their firm's digitalization budgets are presently dedicated to AI.

Chart 9 Percentage of digitalization budget expected to be spent on AI



This hesitancy is not as pronounced among new market entrants. These young and agile companies are placing bolder bets on AI, committing a larger proportion of their budgets to harness its capabilities. Companies aged between five to ten years are allocating a notable 20% of their budget to AI. Even more aggressive are the firms younger than five years, directing a substantial 40% towards AI. Even established companies, particularly publicly listed ones, are also recognizing the strategic importance of AI. Companies with revenue levels of above 1 billion Euros are poised to invest upwards of 15% of their digitalization budget in AI technologies. Flexibility thus seems to be key in the adoption of AI, as both young companies and those with more freedom provided by capital invest in this emerging technology.

The industry breakdown reveals further nuances in the approach to AI investment. The financial services sector, known for its data intensity and the need for precision, along with the automotive industry, which is rapidly evolving with autonomous and connected technologies, are earmarking over 15% of their budgets for AI. Business and professional services are not far behind, equally prepared to channel substantial funds into AI, recognizing its transformative impact on operational effectiveness and service delivery.

William Bontes | CFO Louwman

Louwman finds itself in a pioneering stage with AI. We recognize the huge potential and have created a department called Innovation, Digital & Data, which focuses specifically on Artificial Intelligence. However, we should also not drive ourselves crazy about the pace at which these transformations will happen. Robotics promised to be a game changer a few years ago too, and in the end, all it did was reduce the number of FTEs per function slightly. AI right now has such high expectations attached to it, that one has to doubt if those benefits will actually also materialize.

Hassan Bettani| Partner Financial Services

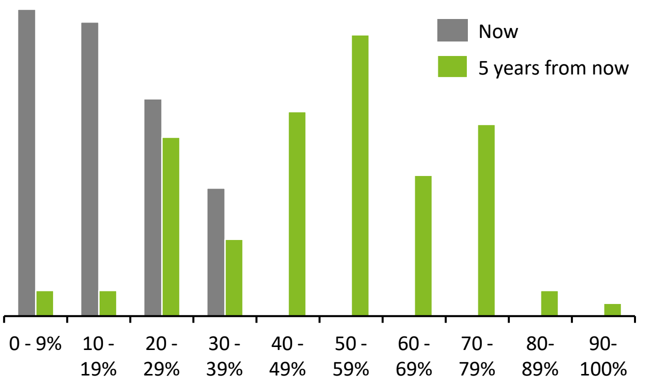
Artificial intelligence will become extremely important within the Financial Services. The current investments, however, are relatively small because organizations are still exploring possible use cases for AI. Additionally, the low AI budget can also be explained because the budget allocated to Artificial Intelligence is often combined with cost reduction programs and seen as synergy rather than a short-term investment. However, here it becomes very dependent on the use cases that have already been identified.

2. Digitalisation: AI expected to grow rapidly before 2030

A massive growth is expected for AI in the next 5 years, as CFOs throughout multiple industries see its potential for strategic decision-making

As CFOs look to the horizon of the next five years, they anticipate a transformative shift in the landscape of strategic decision-making. The infusion of AI into the fabric of business strategy is expected to grow exponentially, with an estimated 50% of strategic decisions predicted to rely on some form of AI, a steep increase from the current 14%.

Chart 10. What percentage of strategic decisions rely on AI, now and in 5 years



This embracing of AI is even more pronounced in certain sectors, with automotive, business & professional services, and non-renewable energy sectors projecting that a striking 60% of their strategic decisions will harness the power of AI. However, it is the public sector that showcases the most ambitious projection, foreseeing a future where a remarkable 70% of its strategic decisions are AI-influenced.

On the contrary, sectors such as Education, Culture & Sport, and Healthcare demonstrate more conservative estimates, with only 31% and 37% of their decisions expected to integrate AI. These fields, often characterized by personalized human interaction and complex ethical considerations, may exhibit cautious adoption, weighing the benefits against the need to preserve the human touch in their decision-making processes. Similarly, the travel, leisure, and hospitality sector, along with real estate, display restrained optimism, with AI involvement anticipated in roughly 40% of their strategic decisions in the next five years.

Across the board, companies foresee AI as a tool to reshape and refine their decision-making landscape. The primary avenues through which AI is expected to exert its influence include enhancing the efficiency of decision-making processes, bolstering operational efficiency, elevating customer experience, and significantly improving the accuracy of forecasting and the rigor of scenario planning. With these capabilities, AI promises to provide a lens through which vast data landscapes can be navigated with precision, and complex future trends can be anticipated with greater clarity.

Yvonne Daas| Partner Consumer

Gen AI has become a tool to accelerate and improve strategic decision-making in finance. CFOs do not need to delve into the technical details of Large Language Models (LLMs) but should grasp the breadth of the technology's capabilities. Their focus should be on fostering innovation while upholding robust risk management. This strategic balance is crucial for leveraging Gen AI's potential to streamline operations and drive efficiencies, ultimately enhancing the effectiveness of financial functions and other parts of the organization.

Ewout Hollegien| CFO a.s.r.

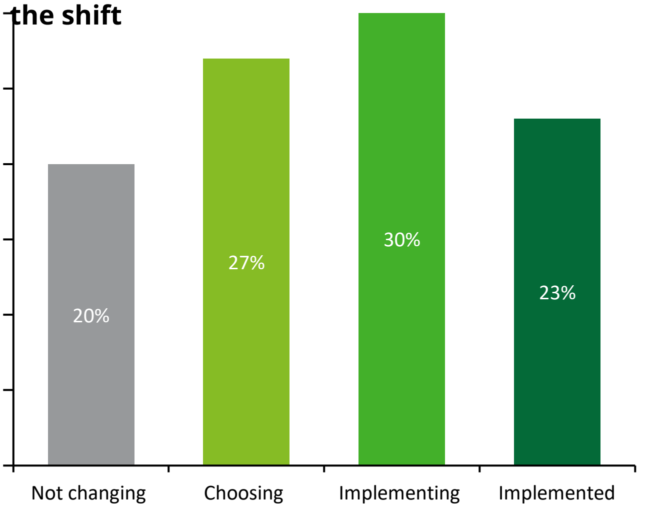
In the last two years, economic pressures led to curtailed innovation spending, but with the economy rebounding, GenAI is emerging as a key catalyst for productivity, especially as labor participation decline in relative and absolute terms as a consequence of demographic development across the globe. GenAI, like other emerging technologies, follows the same trend as the moon landing. The true value lies not just in the destination but in the innovations sparked along the journey. A narrow focus on immediate business outcomes may inhibit broader potential.

3. Digitalisation: Early stages of next-gen ERP adoption

Next-Gen ERP systems are identified as a key step in the digitalisation process by 80% of companies, but their costs pose some questions and worries

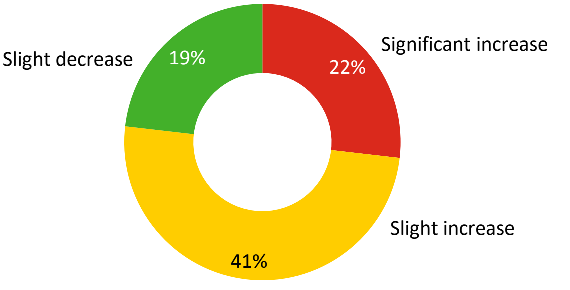
The advent of next-gen ERP systems heralds a transformative era for business operations, offering the potential to unify and enhance functionalities across various departments. These platforms bring to the table real-time data analytics, AI-driven insights, and advanced customization options, equipping businesses with the tools for higher efficiency, nimbleness, and enriched strategic decision-making. These systems however require significant investments in both time and money.

Chart 11. Most companies are switching to next-gen ERP but not many have completed the shift



Currently, an impressive 80% of companies are transitioning towards next-gen ERP systems, recognizing their strategic value in the digital economy. However, this shift appears less appealing to smaller enterprises; about one-third of companies with revenues under 100 million euros are not contemplating an upgrade to next-gen ERPs. The same is mirrored in both listed companies and private equity-backed organizations, indicating that hesitation spans across diverse business models. The reasons are often rooted in concerns about complexity and cost. Navigating and financing such a substantial overhaul can be daunting, especially for organizations with limited resources or those wary of disrupting established processes.

Chart 12. Effect of cloud-based ERP system on the Finance Technology costs



Moreover, the transition does not immediately equate to decreased technology costs for finance departments. 65% of companies report an uptick in expenses, which may reflect the initial investment and the iterative process of system implementation, as over two-thirds of companies embarking on this journey are still in the midst of selecting or rolling out these systems. However, despite these financial considerations, the long-term advantages offered by next-gen ERP systems present a compelling case. These benefits are seen as justifying the increased expenditure, though the realization of a full return on investment often materializes after a period of acclimatization to the new technology.

Douglas Wood| CFO SBM Offshore

When we were moving to a cloud-based ERP, we spent a lot of money on making this transition happen and had created a detailed payback case. Our original idea was that this transition itself would function as a tool for standardization. Now that our data is of sufficient quality, we are instead realizing that the value is delivered through the better business insights that our analytics can deliver. There are some big one-off cost savings that we will still capture, it is just a longer process to do so than we had originally expected.

Results: Sustainability

Still a priority, still needing growth

1. Value vs Compliance

Most CFOs indicate value is driving their sustainability strategy; however, there are great divergences between different sectors

58% of CFOs have voiced that their sustainability efforts are rooted in the pursuit of value rather than compliance. This value-driven approach to sustainability is not uniform across all sectors, however. Sectors like agriculture lead the charge, followed closely on its heels is the industrials sector, signaling a robust commitment to integrating sustainable practices into the core of their business models. Perhaps most interestingly of all, the automotive sector has seen a revolution it is outlook. In the 2023 fall CFO survey, they were amongst the most compliance-driven sector analyzed. This edition however they stand at the forefront of those who see sustainability as a value opportunity.

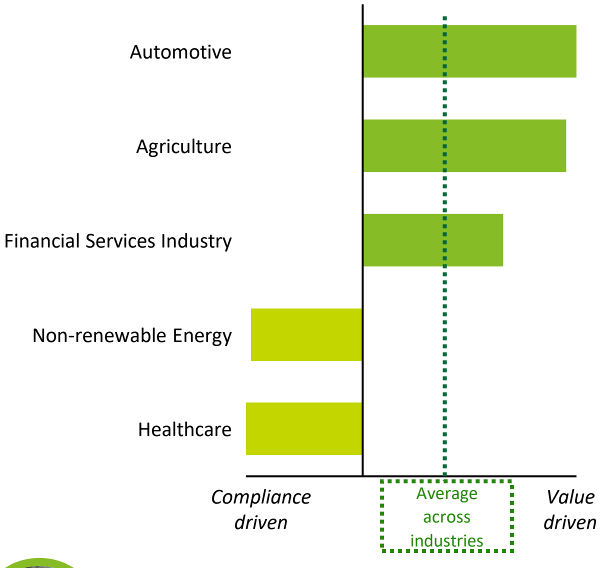
These sectors not only exemplify the potential of sustainability to serve as a catalyst for opportunity, acting as a springboard for innovation and competitive differentiation, but also as proof that sustainability is not a monolithic and unchanging value. Sustainability, now more than ever, is rapidly changing in the minds of CFOs.

This does not mean that there are no industries in which compliance remains the main motivator. The healthcare sector appears more circumspect, holding a much more compliance-based approach to sustainability.

This diversity in the adoption of value-driven sustainability strategies underscores the multifaceted nature of the challenge. Each sector faces unique barriers and catalysts in their journey toward sustainability. Yet, the overarching theme remains clear: there is an emergent recognition that sustainable practices are not just about meeting regulatory requirements—they are also about forging a path to a more resilient and prosperous future.

The narrative is thus being rewritten, as businesses increasingly embed sustainability into their core strategies, they are setting the stage for a future where economic success and environmental stewardship go hand in hand.

Chart 13. Industries' approach on sustainability:



Hassan Bettani | Partner Financial Services

Contradictory to the survey findings, I would say that in FSI sustainability is more compliance- than value-driven. This is because of the extensive regulation in the industry compared to most of the other industries. FSI organizations have to work hard to even comply in time. The thing making it difficult is the data which is scattered all around the organization. However, that reinforces the importance of CDO, CFO and the whole Finance function when it comes to sustainability.

William Bontes | CFO Louwman

At Louwman, we have assigned the broader topic of sustainability to the Chief Corporate & Legal Affairs Officer. CSRD, however, is a part of my responsibilities and is quite costly. In effect, it means that we will need to produce a second annual report, which, especially in the early stages, requires a lot of manual labor. Right now, within finance, we are mainly driving this topic from a compliance perspective, and we are not having enough conversations on the value that sustainability can bring to Louwman.

2. Role of Finance function

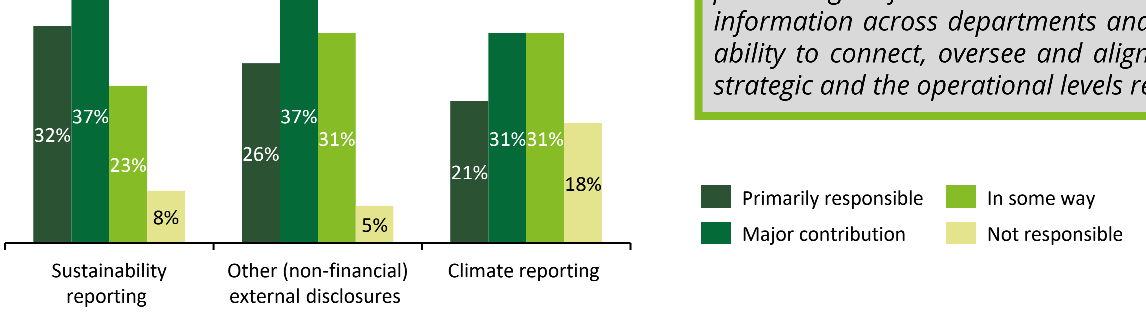
The Finance function remains a key player in sustainability reporting and other non-financial reports, though rarely as the primary driver of them

Interestingly, the viewpoints on the expanding role of the Finance function in sustainability are broadly shared across various industries. Moreover, these opinions show little variance when considering company size, age, or ownership model. From small startups to large multinationals, family-owned businesses to publicly traded companies, and fresh market entrants to established enterprises, the narrative remains consistent: the Finance function plays a critical and expanding role in sustainability.

This uniformity across different types of organizations underscores the universal relevance of financial acumen in the sustainability domain and highlights the opportunity for finance professionals to leverage their skills in new and impactful ways irrespective of the industry or corporate structure. Most CFOs see the Finance function as instrumental in the realm of sustainability reporting. This is a natural extension of their traditional role, given that the function is already deeply ingrained in the measurement, analysis, and reporting of financial data.

Beyond sustainability reporting, CFOs also acknowledge the importance of the Finance function in climate-related reporting and other non-financial disclosures. While the Finance function may not bear the brunt of responsibility in these areas, it is viewed as a vital contributor. The expertise of financial professionals in data management, performance measurement, and risk assessment positions them as valuable allies to sustainability teams. Their analytical skills and understanding of regulatory frameworks provide the support necessary to produce robust and meaningful reports on climate impact and other sustainability metrics.

Chart 14. Finance Function's non-financial responsibilities



Douglas Wood | CFO SBM Offshore

The role of finance on the topic of sustainability is changing with the implementation of new regulations. Before, SBM Offshore had a well-equipped sustainability team focused on making integrated reports. However, now CSRD is affecting the standards of data required for reporting, leading us to move this entire function into our finance GBS in Porto. Luckily, we already were voluntarily reporting at the GRI standards, which tracked nicely with CSRD and allowed us to be ahead of the curve compared to other firms. However, we will have to hire additional people to create capacity to make these additional reports and I mainly worry if these reports will add any real value.

Iris Yates | Partner Private Markets

I believe most companies and CFO's have an intrinsic drive to do the right thing, but the mandatory character of the CSRD has been a trigger for Finance to orchestrate the broader conversation in the organization. There is a serious challenge with the breadth of the topic and the speed with which firms need to implement it. I see some clear lessons learned emerging regarding realistic time requirements, importance of clarity of roles and responsibilities across departments, the value of reliable and uniform data, the efficiency of automation, and finally the necessity to address this with a multidisciplinary approach. It is a topic where Finance is the perfect orchestrator by nature based on core skills and capability, enabling efficient collection, processing and subsequently checking and providing assurance on required data. Additionally, the core positioning of Finance ensures access to information across departments and leverages its ability to connect, oversee and align between the strategic and the operational levels required.

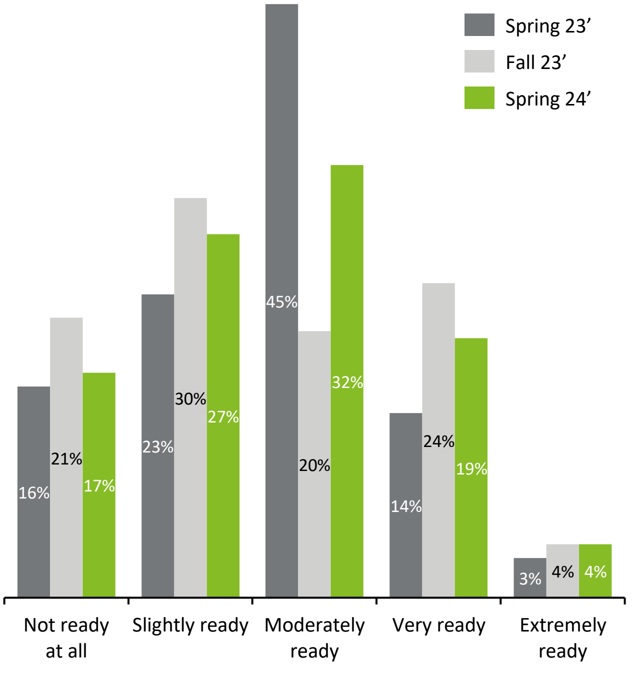
3. Regulatory readiness

Despite the growing importance and focus on sustainability, companies don't feel ready to face the challenges that sustainability regulation may bring

Despite the increasing recognition of sustainability as an integral driver of business value, regulatory readiness remains largely unchanged. CFOs across the board express a sentiment of unpreparedness when it comes to the upcoming regulatory landscape. The sense of hesitancy is not confined to a single sector; it is a sentiment that resonates across the spectrum of industries, with agriculture emerging as a slightly more optimistic outlier. When examining the readiness based on company age, data suggests a correlation between longevity and preparedness. Companies with a decade or more of operational history report feeling marginally more prepared than their younger counterparts. This could reflect their extensive experience navigating previous regulatory changes and their potentially more mature sustainability strategies.

The survey also finds a relationship between revenue and readiness, revealing that companies with annual revenues exceeding the 1 billion Euro threshold self-report a higher degree of preparedness for impending sustainability regulations. In sum, while the aspiration to align sustainability efforts with value creation is widespread, the readiness to meet the rigorous demands of new sustainability regulations is still catching up. The financial robustness of a company and the sector it operates in may influence this readiness, but the overarching trend is one of a need for accelerated efforts to bridge the gap between ambition and regulatory compliance.

Chart 15. CFO's perspective on their readiness for sustainability regulations

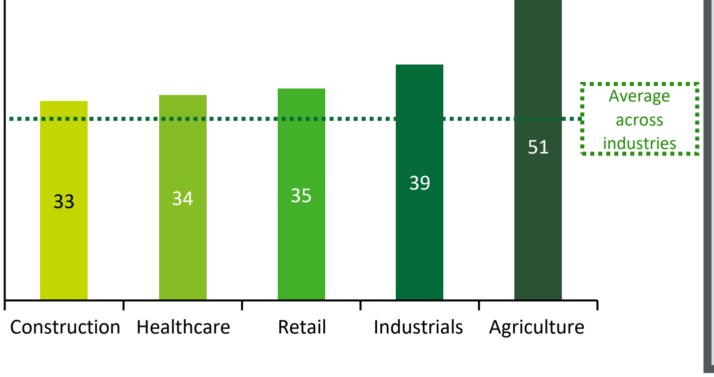


Pieter van Holten | CFO Nutreco

Nobody is challenging the need for lower emissions and better sustainability, but the reporting burden of CSRD is immense and Finance is expected to facilitate this since the auditor signs off. This adds to the pressure on my department as we are also converting from Dutch GAAP to IFRS and are implementing Pillar 2 as well. We are in the process of setting up the reporting structure and gathering data, but it cannot be a Finance only activity.

The reporting of data makes sustainability a natural topic for Finance to be involved on. Some data, such as energy efficiency, is easy and the data for this is in house. The issue comes with Scope 3, where right now there does not exist any 100% credible information, neither internally or externally. We are working closely with our colleagues from Procurement to get data from partners in the value chain, but this is a journey. Given that the rules are still subject to change, you also do not want to move too far ahead of the curve as this creates risks of having to backtrack on investments.

Chart 16. Industries' level preparedness regarding sustainability regulations



4. Emission-free CapEx

Greener investments are becoming more common throughout most industries, as sustainability is inexorably linked to both the economy and digital efforts

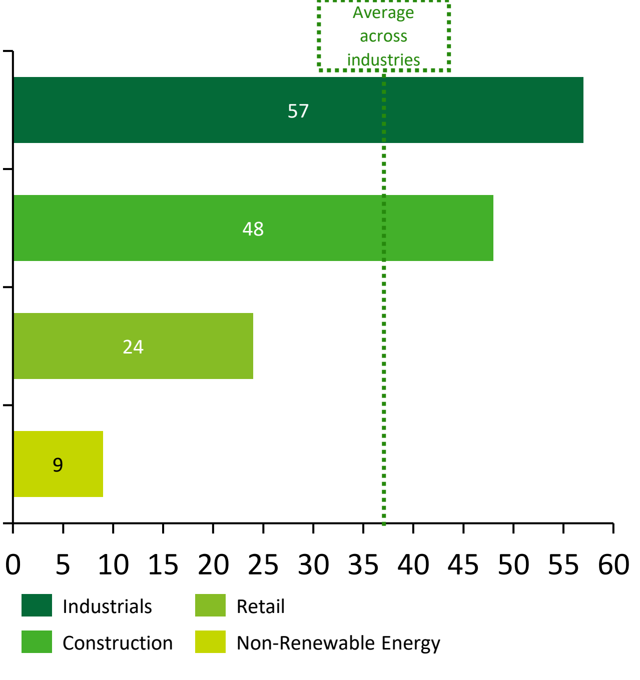
In the pursuit of sustainability, Chief Financial Officers (CFOs) are steering CapEx towards greener horizons, with an average of 37% of CapEx being directed towards emissions-free projects. This shift is emblematic of a broader strategic realignment, where environmental considerations are increasingly central to financial decision-making.

The construction industry is at the vanguard of this transition, allocating a robust 48% of CapEx to emissions-free initiatives. The industry's substantial investment reflects a proactive response to the escalating demand for sustainable infrastructure and the sector's significant potential to influence carbon reduction efforts. The industrials sector is charting an even more aggressive course, with an impressive 57% of CapEx dedicated to green ventures. This substantial investment underscores the sector's commitment to integrating sustainability into the industrial fabric and setting a benchmark for cleaner operations.

Ewout Hollegien| CFO a.s.r.

Sustainability is increasingly recognized as a collective endeavor, both within the economy at large, as well as more specifically within the financial services industry. You can see this by the fact that very similar choices and goals are being set throughout the industry. It's become integral to decision-making processes across the board, from broader economic strategies to specific digitalization initiatives. Moreover, tools like Generative AI to facilitate Corporate Sustainability Reporting Directive (CSRD) compliance exemplifies how advanced technology is being harnessed to support this all-encompassing commitment to sustainable development.

Chart 15. Percentage of CapEx that is emission free



Conversely, the retail industry paints a different picture, with a relatively modest 24% of CapEx invested in emissions-free projects. Given the consumer-facing nature of retail, this could signify a slower adoption of green initiatives or perhaps reflect the complexities of transforming retail operations in an eco-friendly direction. The non-renewable energy sector, meanwhile, sits at the far end of the spectrum, directing a mere 9% of CapEx towards emission-free endeavors. This stark contrast likely stems from the inherent challenges of pivoting away from traditional energy sources and the capital-intensive nature of transitioning to renewable alternatives.

This trend towards green CapEx investments is likely influenced by the broader political and strategic context noted in section 1. In this light, investment in emissions-free CapEx is not solely a reflection of corporate environmental stewardship but a strategic maneuver aligned with both political expectations and business acumen. CFOs are recognizing that sustainable CapEx is a critical component of future-proofing their businesses, responding to stakeholder demands, and securing a competitive edge in a rapidly evolving corporate ecosystem.

Afterword

Rianne Jans | CFO Deloitte Netherlands

I want to express my gratitude to all the CFOs and partners that contributed with interviews. Your thoughtful contributions and insights have truly enriched this survey making it an invaluable guide to CFOs

As I embark on the journey of unraveling the findings of our survey, I extend a warm invitation to delve into a comprehensive exploration that not only unveils the current sentiments of Dutch CFOs, but also offers profound reflections on the challenges and opportunities that lay on the horizon.

In this CFO Survey, one of the most notable findings for me was that the CFOs now seem more optimistic about the economy compared to our previous surveys. This edition reveals a landscape characterized by a delicate balance of cautious optimism intertwined with a sober acknowledgment of ongoing challenges.

When it comes to the priorities laid out by CFOs for their Finance functions, there is a clear emphasis on value creation, which is taken over cost reduction. For me, this is a significant sign about the change in sentiment about the economy.

Moreover, CFOs have identified the shortage of skilled professionals as the most pressing risk that could impact their business model in the coming year, with geopolitics, economic outlook, and decreasing profit margins also cited as concerns. Regarding geopolitical risks in 2024, disruptions to shipping routes and increased cyber-attacks are considered the greatest threats to business. These concerns clearly keep CFOs cautious while they express optimism about the current economic situation.

When reflecting on the realm of digital transformation, it is evident that CFOs acknowledge that their organizations have yet to reach full digital maturity. Currently, AI informs only a fraction of their strategic decisions, but within the next five years CFOs expect this figure to rise to 50% while investments in AI are relatively low. I do not find this surprising however, as currently it might not be clear what the best use cases may be. With regards to cloud-based ERP systems, even though they may increase finance technology costs, they also increase the value by providing real-time insights. Some patience is required from CFOs before companies get to reap the benefits.

With regards to sustainability, my personal takeaway was that it is now primarily driven by value creation. Even though companies are not yet fully prepared for upcoming sustainability regulations, the CFOs seem to acknowledge how Finance function can work as a catalyst to create value with sustainability for the whole organization. This push towards a greener future is echoed in the over one –third average of CapEx being emissions-free.

In essence, this edition of the CFO survey has offered a nuanced portrayal how of Dutch CFOs are navigating a multifaceted landscape. Deftly balancing optimism with pragmatism as we chart a course towards economic resilience, digital transformation, and sustainability leadership. As we navigate the complexities of the future, let us remain steadfast in our commitment to harnessing these insights to drive meaningful progress and foster enduring success within the financial realm and beyond.

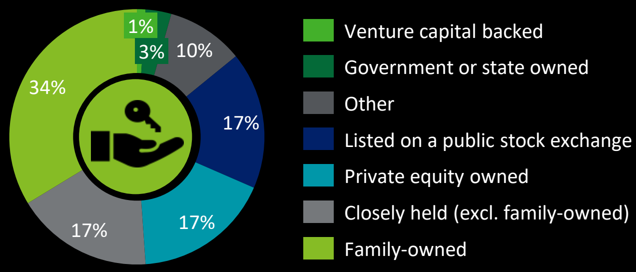
CFO Survey Sample Background

An overview of the survey's sample composition by industry, ownership type, and annual revenue size

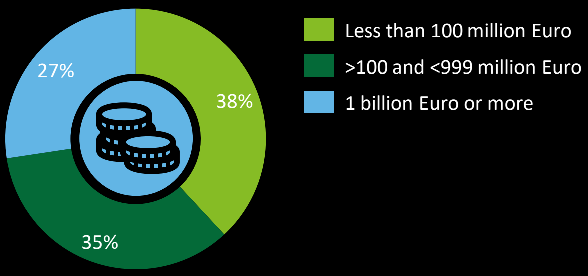
1. Composition by industry

Agriculture	9.8%
Automotive	3.7%
Business & Professional Services	6.1%
Communication Services	1.2%
Construction	7.3%
Education, Culture & Sport	2.4%
Finance	7.3%
Healthcare	6.1%
Industrial Products & Services	18.3%
Non-renewable energy	4.9%
Public Sector	1.2%
Real Estate	1.2%
Renewable Energy	1.2%
Retail & Consumer Goods	11.0%
Transport & Logistics	3.7%
Travel, Leisure and Hospitality	4.9%
Other	9.8%

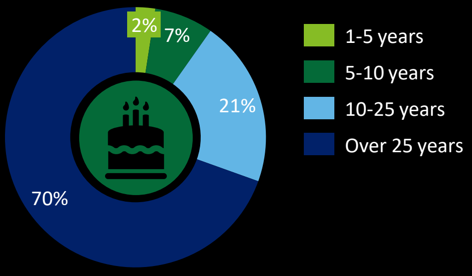
2. Composition by ownership structure



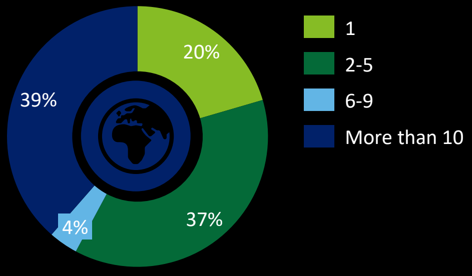
3. Composition by revenue size



4. Composition by age



5. Composition by # of countries they operate in



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The team would like to give special thank you to all the experts that were interviewed in the process of creating this survey and whose views insights gave profound context to the most important topics within Finance.

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