Deloitte.

CFO Signals™

What North America's top finance executives are thinking—and doing
2nd quarter 2022

MAKING AN IMPACT THAT MATTERS since 1845

Dear CFOs,

The past few months have been arduous to say the least, judging from our 2Q22 *CFO Signals* survey results. You not only have had to manage the challenges of recovering from the pandemic and supply chain disruptions, but also brace your organizations for rising inflation, increased interest rates, shrinking talent pools, and the unfolding impacts of the Russia-Ukraine war. Add to that the impacts of climate change, which many of you and your organizations are working to mitigate, based on your responses to this quarter's special focus on decarbonization. It's those efforts that offer a glimmer of brightness against the backdrop of CFOs' declining optimism. *Following are survey highlights:*

CFOs' views of regional economies one year out decidedly took a downturn. Just 18% indicate they expect North America's economy to be better a year from now, down from 36% in the prior quarter. Only 7% of CFOs expect Europe's economy to be better in 12 months, a steep drop from 26% in 1Q22. They also have lower expectations for China's economy looking a year ahead, with 19% expecting it to be better, compared to 31% in the prior quarter. Similarly, CFOs are more somber about the future of the Asian economy outside of China, and South America's as well.

Finance chiefs' assessments of their own-company financial prospects and year-over-year growth expectations for key metrics dimmed for the most part. Fewer CFOs are feeling more optimistic about their companies' financial prospects, compared to three months ago, at 27% this quarter versus 38% in 1Q22. CFOs also are tempering their growth expectations for revenue, earnings, and capital spending, compared to the prior quarter. In contrast, they expect slight increases in dividends and domestic wages/salaries, and project hiring to stay flat from the 1Q22 survey.

Talent, retention, and strategy execution are CFOs' top internal risks. They cite inflation and broader economic concerns, along with geopolitics, as their most worrisome external risks. With no clear end in sight for the Great Resignation, CFOs continue to experience significant challenges in recruiting and retaining talent. Concerns over wage inflation, employee morale, and return-to-work are adding to their worries. During the survey open period, inflation rose to its highest level in 40 years, and the Federal Reserve implemented the largest increase in interest rates in some 20 years, and CFOs are acutely feeling the impact of both. The Russia-Ukraine war and other geopolitical issues are also high on CFOs' list of external risks.

With ESG at the center of Davos, our special topic section asked CFOs several questions related to their organizations' decarbonization efforts and their role in them. CFOs appear to be actively engaged in those efforts, including in strategic aspects. They expect to spend on average nearly 10 hours a month on such efforts next year, and they anticipate their finance organization to spend more than 109 hours on average per month on decarbonization matters. CFOs also say what their finance teams need most is clarity on methodologies and reporting standards, along with relevant data, to meet decarbonization-related requirements They singled out increased operating and capital expenditures as the most significant costs they expect to incur to meet their organizations' decarbonization goals. Transforming their organizations' overall business model and value chain was cited as the next most significant area of costs. More details can be found in this report.

I thank you for taking time out of your hectic schedule to participate in *CFO Signals*. Your perspectives help inform others' understanding of the challenges you face and what you are doing to address them. I also invite you to join our next CFO 4Sight webcast on June 23 for an economic update, a discussion of the *CFO Signals* survey results, and a conversation with Brett Biggs, CFO of Walmart.

Steve Gallucci
National Managing Partner, US CFO Program | Deloitte LLP
Global Leader, CFO Program | Deloitte Touche Tohmatsu Limited
Tel/Direct: +1 212 436 5914 | Mobile: +1 914 380 2306
sgallucci@deloitte.com | www.deloitte.com

CONTENTS, CONTACTS, SURVEY LEADERS, AND PARTICIPATION PROFILE

Contents

Contacts

Steve Gallucci
National Managing Partner
US CFO Program
Deloitte LLP
sgallucci@deloitte.com

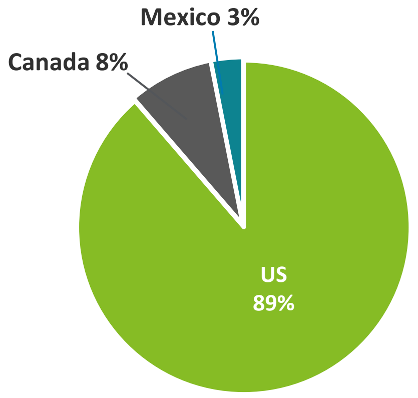
Ajit Kambil
Research Director
US CFO Program
Deloitte LLP
akambil@deloitte.com

Survey leader

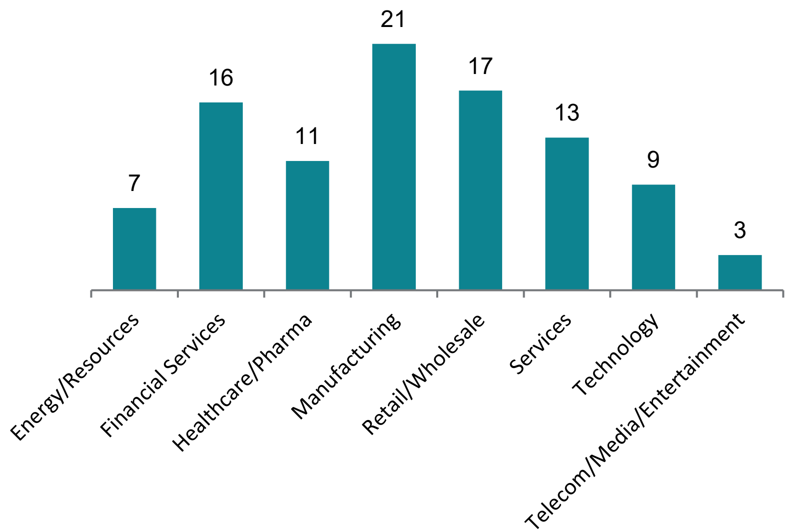
Patricia Brown
Managing Director
US CFO Program
CFO Signals
Deloitte LLP
pabrown@deloitte.com

Participation: A total of 97 CFOs participated: 72% from public companies and 28% from privately held companies. Forty-two percent of CFOs have more than 10 years' experience, and another 29% have 5 to 10 years' experience, and the remainder have less than five years' experience. Respondents are from the US, Canada, and Mexico, and the vast majority are from companies with more than $1 billion in annual revenue. The 2Q22 survey was open from May 2-16, 2022. For other information about the survey, please contact nacfosurvey@deloitte.com.

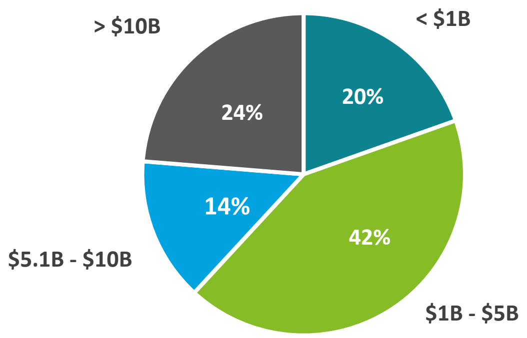
By country



By industry



By company size



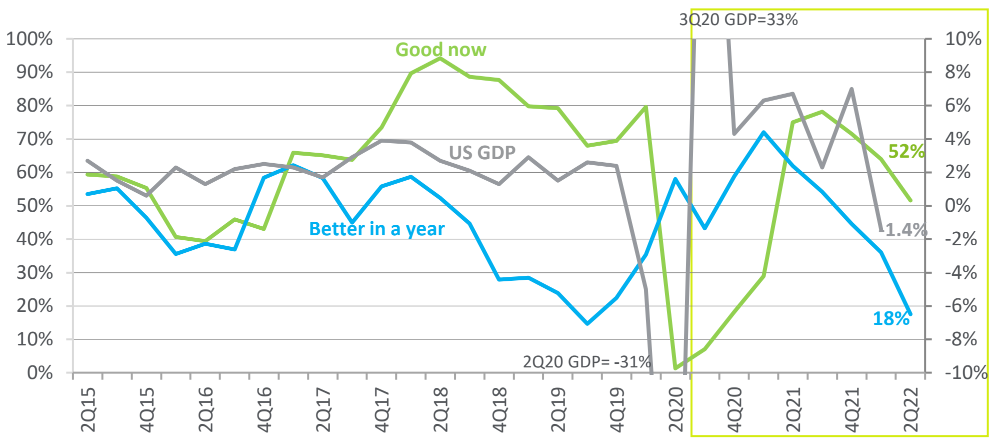
2Q22 LONGITUDINAL BUSINESS OUTLOOK HIGHLIGHTS

Compared to 1Q22, CFOs' sentiment toward the five economic regions covered in *CFO Signals* soured on both current and future economic conditions. CFOs' assessments of the regional economies' future conditions had already started to decline last quarter, and they have dropped even further across the board. Eighteen percent of CFOs said they expect North America's economy to improve in 12 months—the lowest proportion since 3Q19.

Economic assessment by region

- **North America:** 52% of CFOs rate the current economy as good or very good, down from 64% in 1Q22; 18% indicate conditions will improve in a year, down from 36% in the prior quarter.
- **Europe:** 9% of CFOs consider current economic conditions as good or very good, down from 31% in 1Q22; a year out, only 7% of CFOs see the economy improving, a sharp decline from 26% in 1Q22.
- **China:** 12% of CFOs view the current economy as good or very good, down from 29% in 1Q22; 19% anticipate better conditions in a year, down from 31% in 1Q22.
- **Asia, excluding China:** 20% of CFOs view the current economy as good or very good, down from 39% in 1Q22; 16% indicate improvement a year out, compared to 33% in 1Q22.
- **South America**: 11% of CFOs rate the current economy as good or very good, down from 14% in 1Q22; 10% expect improvement in the economy 12 months out, down from 1Q22's 16%.

Views on North America's economy



Economy optimism

	Good now	Better in a year	Last quarter	2-yr. avg
North America	↘ 52%	↘ 18%	64/36	49/49
Europe	↘ 9%	↘ 7%	31/26	17/34
China	↘ 12%	↘ 19%	29/31	38/44
Asia, excl. China	↘ 20%	↘ 16%	39/33	NA**
South America	↘ 11%	↘ 10%	14/16	NA**

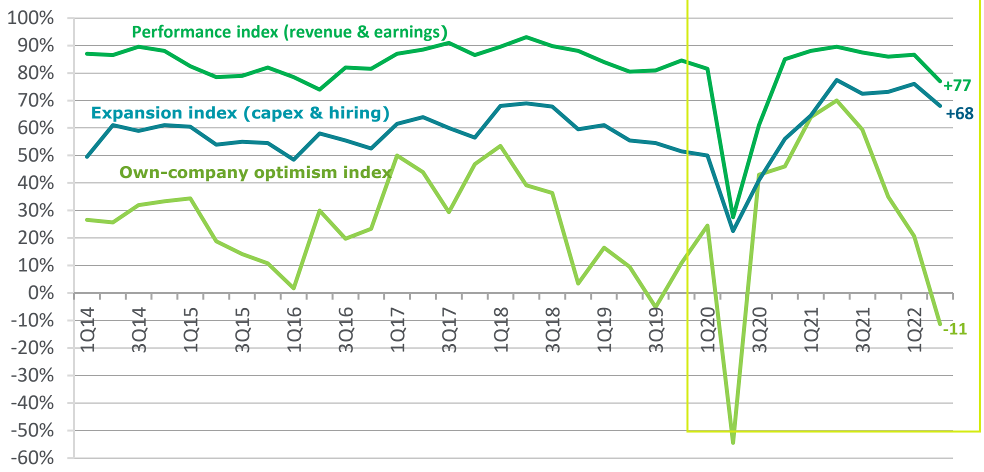
*US GDP = percent change from preceding quarter in real US gross domestic product (source: Bureau of Economic Analysis table 1.1.1)

**Two-year average comparisons are not available because 3Q21 was the first time *CFO Signals* asked CFOs for their assessments of the economies of Asia, excluding China, and of South America.

Company outlook

- The **own-company optimism index** (percent of CFOs citing rising optimism regarding their companies' prospects minus the percent citing falling optimism) fell to -11 from +21 in 1Q22. Energy/ Resources CFOs are the most optimistic and Telecom/ Media/Entertainment (T/M/E) CFOs are the least optimistic.
- The **performance index** (average of percentages of CFOs citing positive year-over-year (YOY) revenue and earnings growth) fell to +77 from +87 in 1Q22. The Services and Retail/Wholesale industries lead the index.
- The **expansion index** (average of percentages of CFOs citing positive YOY growth in capital spending and domestic hiring) decreased to +68 from +76 in 1Q22. The Manufacturing, Retail/ Wholesale and Services industries rank highest on the index.

Company indexes



Company optimism and growth

		This quarter	Last quarter	2-yr. avg.
Own-company optimism (net)	↘	-11	+21	+41
Revenue growth (YOY)	↘	7.8%	9.1%	7.5%
Earnings growth (YOY)	↘	8.4%	9.2%	10.5%
Dividend growth (YOY)	↗	4.0%	3.9%	4.3%
Capital investment growth (YOY)	↘	11.2%	11.3%	8.3%
Domestic personnel growth (YOY)	↔	5.3%	5.3%	3.7%
Domestic wage growth (YOY)	↗	5.3%	5.0%	3.8%

2Q22 HIGHLIGHTS—ASSESSMENTS OF REGIONAL ECONOMIES TRACKED BY CFO SIGNALS

When considering current economic conditions in North America, the percentage of CFOs assessing it as good or very good fell to 52% in 2Q22, from 64% in 1Q22. The cohort of CFOs viewing Europe's current economy as good or very good dropped to 9% this quarter from 31% in 1Q22. Meanwhile, the proportion of CFOs who view China's current economic conditions as good or very good declined to 12% from 29% in 1Q22. Compared to the prior quarter, the percentage of CFOs considering the current economies of Asia, excluding China, and South America as good or very good fell as well.

When asked about economic conditions 12 months out, the proportion of CFOs expecting improvement for all five regions shrunk, compared to the previous quarter. In addition, the proportion of CFOs expecting economic conditions to be worse in a year increased for all five regions, compared to 1Q22. Rising inflation, the Russia-Ukraine war, supply chain disruptions, and talent shortages—all among CFOs' most worrisome risks—likely shape their expectations.

North America

Current conditions: **45%** good and **7%** very good
(**52%** total—down from **64%** in 1Q22)
9% bad

A year from now: **17%** better and **1%** much better
(**18%** total—down from **36%** in 1Q22)
35% worse—up from **26%** in 1Q22

Europe

Current conditions: **9%** good and **0%** very good
(**9%** total—down significantly from **31**% in 1Q22)
42% bad

A year from now: **6%** better and **1%** much better
(**7%** total—down from **26%** in 1Q22)
55% worse—up from **19%** in 1Q22

China

Current conditions: **12%** good and **0%** very good
(**12%** total—down from **29%** in 1Q22)
53% bad

A year from now: **16%** better and **3%** much better
(**19%** total—down from **31%** in 1Q22)
45% worse—up from **19%** in 1Q22

Asia, excluding China*

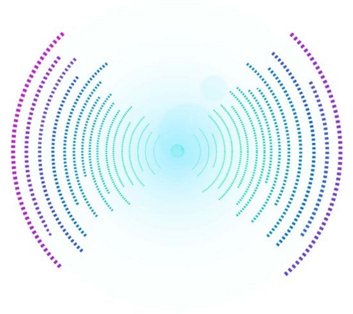
Current conditions: **20%** good and **0%** very good
(**20%** total—down from **39%** in 1Q22)
21% bad

A year from now: **14%** better and **2%** much better
(**16%** total—down from **33%** in 1Q22)
35% worse—up from **11%** in 1Q22

South America*

Current conditions: **11%** good and **0%** very good
(**11%** total—down slightly from **14%** in 1Q22)
46% bad

A year from now: **9%** better and **1%** much better
(**10%** total—down from **16%** in 1Q22)
49% worse—up from **37%** in 1Q22



**CFO Signals* first asked CFOs for their assessments of Asia, excluding China, and of South America in 3Q21.

2Q22 HIGHLIGHTS OF CORE SURVEY QUESTIONS AND RESPONSES

CFOs' year-over-year growth expectations grew slightly only with respect to dividends and domestic wages/salaries this quarter, compared to 1Q22. CFOs lowered their YOY growth expectations for revenue, earnings, and capital spending. Their expectations for domestic hiring stayed flat on a quarter-to-quarter basis.

Assessments of the business environment, capital markets, and risks

How do you regard the current and future status of the following economies—North America, Europe, China, Asia (other than China), and South America? **When assessing the *current status* of the five regional economies,** 52% of CFOs ranked North America as good or very good, down from 64% in 1Q22. Twelve percent of CFOs noted China's current economy as good or very good, compared to 29% in the prior quarter. Nine percent of CFOs cited Europe's economy as good or very good, down from 31% in 1Q22. Twenty percent of CFOs considered the economy of Asia, excluding China, to be good or very good, compared to 39% in 1Q22. Eleven percent said the same for South America's economy, down from 14% in the prior quarter.

Considering the regional economies 12 months out, CFOs were less positive. Only 18% indicated they expect North America's economy to be better or much better a year from now, down from 36% in the prior quarter. Seven percent of CFOs noted they expect Europe's economy to be better in 12 months, a steep decline from 26% in 1Q22. CFOs' assessment of China's economy a year out also dampened, with 19% expecting it to be better or much better, compared to 31% in the prior quarter. Similarly, the percentage of CFOs expecting Asia's economy, excluding China, to improve in 12 months, dropped to 16% from 33% in 1Q22. Ten percent of CFOs noted they expect South America's economy to improve in the same time period, down from 16% in the prior quarter. The percentage of CFOs indicating that economic conditions would be worse a year out increased for each region tracked, as noted on page 5. See page 8 for charts.

What is your perception of the capital markets? CFOs revealed mixed views of the capital markets. Less than half (43%) of CFOs considered US equity markets as overvalued this quarter, compared to 72% in 1Q22. For 32% of CFOs, debt financing was attractive, down significantly from 85% in the 1Q22 survey. Less than one-quarter (22%) of CFOs regarded equity financing as attractive, down from 37% in 1Q22. See pages 9-10 for more details.

Is this a good time to be taking greater risks? Thirty-five percent of CFOs indicated now is a good time to be taking greater risks, down from 47% in the prior quarter. See page 11 for details.

What internal and external risks worry you the most? As in recent quarters, talent/labor topped CFOs' list of internal risks, followed by strategy execution. Economic matters—inflation in particular—were CFOs' most often-cited external worries. Geopolitics, including the Russia-Ukraine war and its impacts on supply chain and other business issues, was another dominant external risk concern. See pages 12-13 for more details.

Compared to three months ago, how do you feel about your company's financial prospects? Although 27% of CFOs indicated they are somewhat or significantly *more optimistic* about their companies' financial prospects, that represents a decline from 38% in the prior quarter. Overall, own-company net optimism fell to -11 from +21 in 1Q22. Energy/Resources industry CFOs were the most optimistic (+14), followed by Retail/Wholesale (+6). CFOs in the T/M/E industry were the least optimistic (-67), followed by Financial Services (-38). See page 14 for details.

How do you expect your key operating metrics to change over the next 12 months? Compared to the prior quarter, CFOs raised their expectations for year-over-year growth only for dividends and wages/salaries:

- **Dividend growth expectations** inched up to 4.0% from 3.9% in 1Q22.
- **Domestic wages/salaries growth expectations** increased to 5.3% from 5.1% in 1Q22.

Growth expectations for domestic hiring remained flat at 5.3%, same as for 1Q22.

Meanwhile, CFOs lowered their YOY growth expectations for revenue, earnings, and capital spending, from the prior quarter:

- **Revenue growth expectations** decreased to 7.8% from 9.1% in 1Q22.
- **Earnings growth expectations** fell to 8.4% from 9.2% in 1Q22.
- **Capital spending growth expectations** dipped to 11.2% from 11.3% in 1Q22.

See page 15 for more details, including a breakdown by country and industry.

CFOs' top internal risk worries were again dominated by talent and concerns over retention this quarter. The economy, notably inflation, ranked highest on CFOs' external risks. Geopolitics, including the Russia-Ukraine war and impacts on supply chains and other business operations, was close behind.

*Averages have been adjusted to eliminate the effects of stark outliers.

2Q22 SPECIAL TOPIC AT A GLANCE: DECARBONIZATION

CFOs are highly engaged in their organizations' decarbonization efforts, notably in the role of steward, strategist, and catalyst. They anticipate spending nearly 10 hours per month on average on decarbonization issues, and their finance teams to spend 109 hours per month on average. Finance teams need most clarity on methodologies and reporting standards, and relevant data, to meet their organizations' decarbonization goals. CFOs are primarily using internal cashflows from operational savings to fund decarbonization strategies.

To what degree are you involved in your organization's decarbonization efforts in the following roles: strategist, catalyst, operator, and steward? Nearly three-quarters (73%) of CFOs said that they are involved or very involved in their organizations' decarbonization efforts as a strategist. The remainder are not. As a catalyst, 71% noted they are involved or very involved, and 29% are not involved. Less than half (48%) are involved in their organizations' decarbonization efforts in the operator role, and the remainder are not. As a steward , 83% of CFOs surveyed indicated they are involved or very involved in their organizations' decarbonization efforts. See page 16 for details.

How many hours per month do you anticipate spending on decarbonization efforts next year, and how much will your team likely spend? CFOs indicated they plan to spend 9.7 hours on average per month on their organizations' decarbonization efforts over the next year. They anticipate their finance organization will spend 109.2 hours on average per month on such efforts over the next year. See pages 17-18 for details.

What are the biggest challenges your enterprise/organization faces in developing and executing a decarbonization strategy, and what are the biggest challenges your finance team faces in delivering on your organization's decarbonization goals? CFOs' responses for the two questions frequently overlapped. Comments fell into key categories, such as clarity on measurement/strategy, costs, lack of universal guidance, technology/data capture, stakeholder buy-in, competing priorities, and resources. See page 19 for details.

What two things do you think your finance organization needs most to meet decarbonization-related requirements, including disclosures? When asked to select two things their finance organization needs most to meet decarbonization-related requirements, 69% of CFOs indicated clarity on methodologies and reporting standards, and 62% chose relevant data. Other needs included new or more advanced technologies, more time, and more people. See page 20 for details.

Where do you anticipate incurring the most significant costs related to your organization's decarbonization goals? Half of CFOs who responded said that increased operating and capital expenditures is where they anticipate incurring the most significant costs related to their organizations' decarbonization goals. Twenty-eight percent of CFOs who responded said they anticipate incurring the most significant costs in transforming their organizations' overall business model and value chain while 9% noted carbon offsets, 4% loss of long-term revenue, and 3% costs of disclosure. See page 20 for details.

What percentage of annual revenue does your organization intend to spend on decarbonization over the next year? Over half (54%) of the CFOs who responded intend to spend .01% to 1% of their annual revenue on decarbonization over the next year. More than one-quarter (26%) said they plan to spend between 1.1% and 5% of annual revenue. One-fifth indicated zero percent. See page 21 for details.

What are your organization's top three ways to fund its decarbonization strategy? Sixty-nine percent of CFOs said they use internal cashflows from operational savings to fund their decarbonization strategy. More than one-third (37%) indicated they reallocate growth capital from carbon-heavy resources, assets, businesses, or product lines. Nearly one-quarter (23%) reported that they seek assistance and grants from government/regulators. See page 22 for details.

When do you expect your organization to reach net-zero carbon emissions? More than one-quarter (27%) of CFOs indicated their organizations would reach net-zero carbon emissions by 2030, 34% said by 2050, and 3% noted it would be later than 2050. Two percent indicated they had already reached their goal. Meanwhile, 33% reported they do not have a plan. See page 23 for details.

What metrics do you currently use, or plan to use, to measure the effectiveness of your organization's decarbonization efforts? Reduction of carbon emissions was the predominant metric that CFOs cited, followed by energy usage and SEC or SASB standards. Thirty-two percent of CFOs said their organizations either do not have a plan to measure the effectiveness of their decarbonization strategy or that their plan is in development. See page 23 for details.

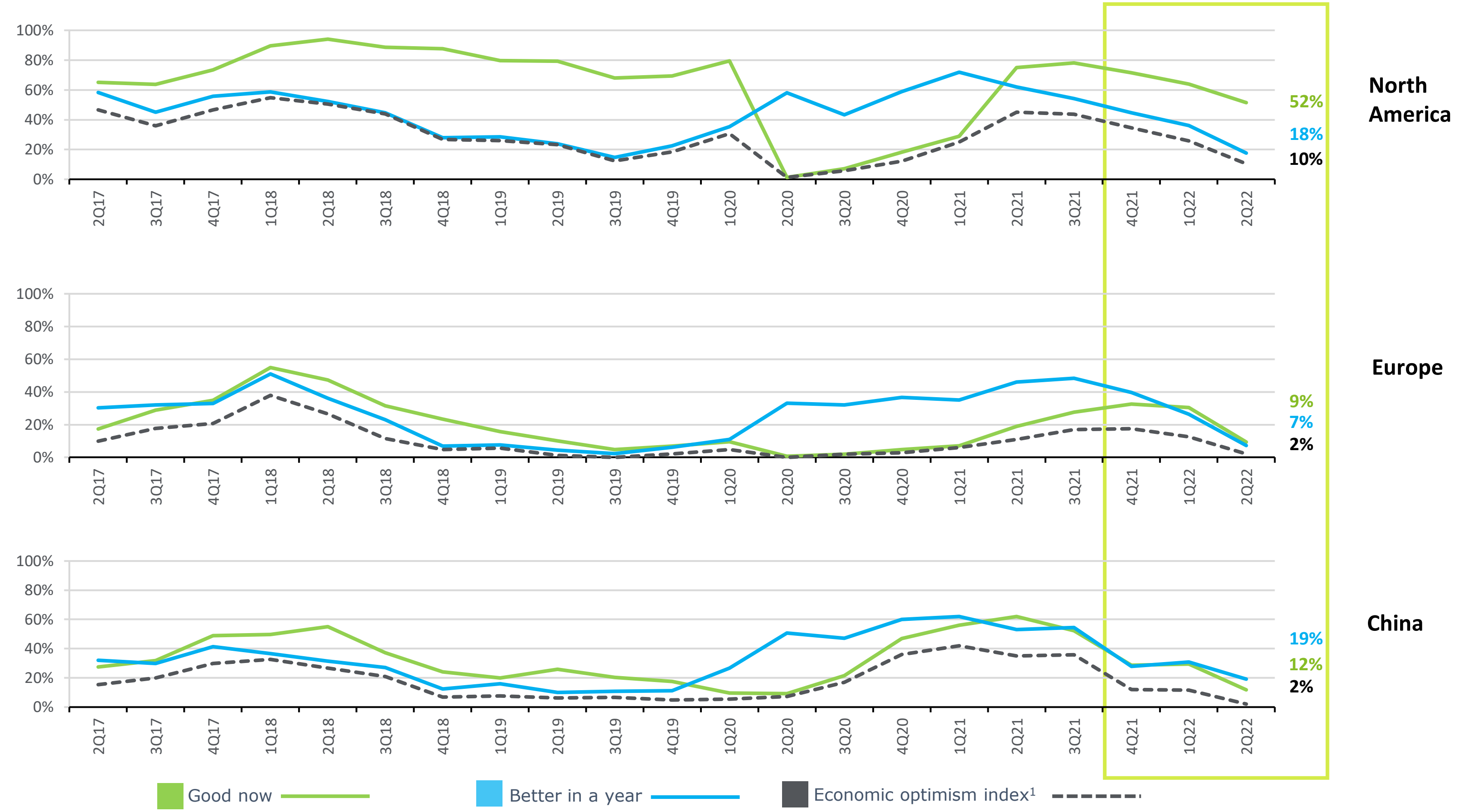
Looking ahead to 2025, what do you believe will likely have been the most impactful change that your organization—and you and your finance organization—will have made to address decarbonization? Regarding their company's impact, the majority of CFOs' comments revolved around better process and materials efficiency, followed by more clean, renewable energy. With respect to their own impact and that of their finance team, CFOs cited building or evaluating business cases for investing in decarbonization; meeting reporting and disclosure standards/requirements; and providing data, KPIs, targets, and reporting on progress toward their organizations' decarbonization goals. See pages 24-25 for details.

ASSESSMENTS OF REGIONAL ECONOMIES

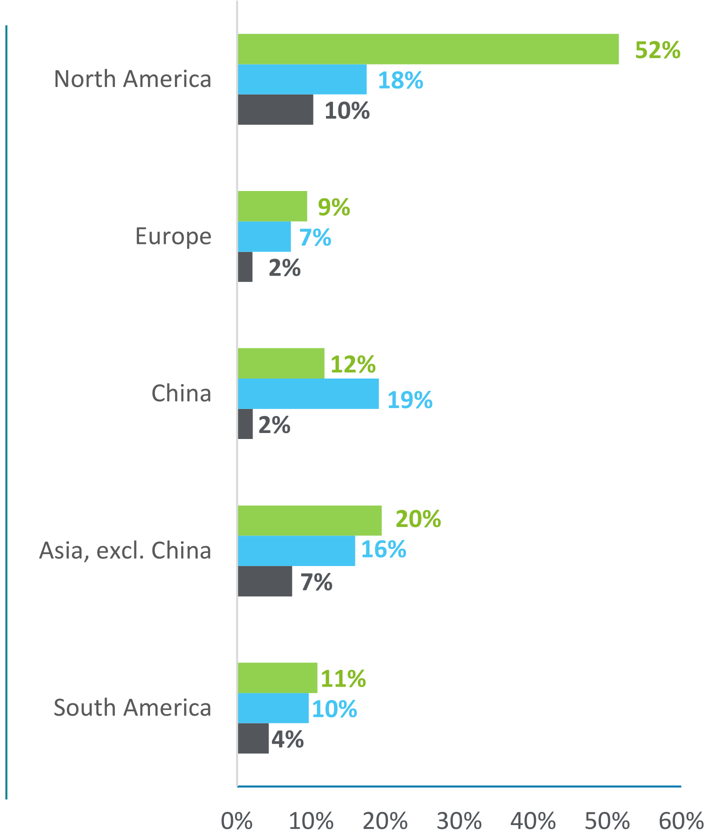
CFOs' assessments of North America's current and future economic conditions declined from 1Q22. CFOs also lowered significantly their assessments of Europe's current economic conditions and the outlook a year ahead. Their views of China's current economy and 12-month outlook for that economy declined as well.

- **North America:** 52% of CFOs noted current economic conditions as good or very good, down from 64% in the prior quarter. Those expecting improved conditions a year out fell to 18% from 36% in 1Q22.
- **Europe:** 9% of CFOs viewed Europe's current conditions as good or very good, a sharp decline from 31% in 1Q22. Only 7% of CFOs said they expect better conditions in a year, down from 26% in 1Q22.
- **China:** 12% of CFOs indicated current conditions as good or very good, down from 29% in 1Q22. The percentage of CFOs expecting China's economy to improve in a year dropped to 19% from 31% in 1Q22.
- **Asia, excluding China:** 20% of CFOs noted current conditions as good or very good, down from 39% in 1Q22, while 16% said they expect conditions to improve 12 months out, a drop from 33% in 1Q22.
- **South America:** 11% of CFOs assessed current conditions as good or very good, down from 14% in 1Q22, and 10% noted they expect conditions to be better in a year, a decrease from 16% the prior quarter.

How do you regard the current and future status of the following economies: North America; Europe; China; Asia, excluding China; and South America?



2Q22 Snapshot



 [1] Indexes reflect the percentage of respondents who rate current economic conditions as "good" or "very good" and who also expect "better" or "much better" conditions in a year.

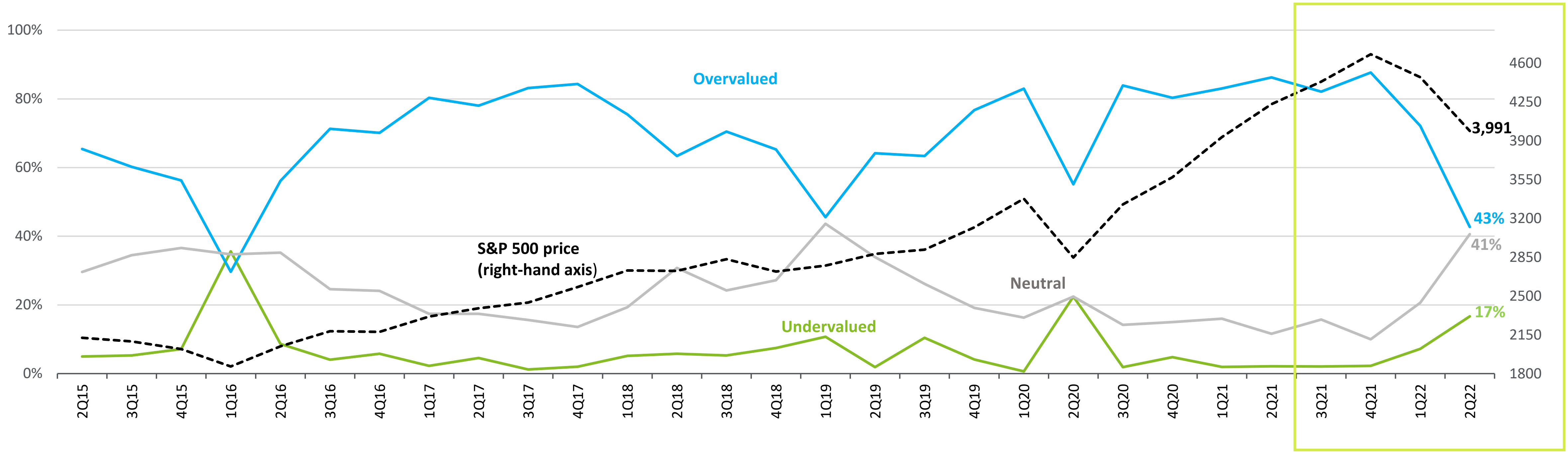
ASSESSMENTS OF CAPITAL MARKETS AND RISK: VALUATION OF US EQUITY MARKETS

Amid rising inflation, increased interest rates, and market volatility, a notably smaller percentage (43%) of CFOs considered US equities as overvalued, compared to 72% in the 1Q22 survey. About the same percentage (41%) of CFOs indicated US equities were neither overvalued nor undervalued, while 17% regarded them as being undervalued.

- The 43% of CFOs considering US equities as overvalued was the lowest percentage since the 1Q19 *CFO Signals* survey, when 46% of CFOs saw US equities as overvalued.
- Industries that were most likely to view markets as overvalued were Energy/Resources (77%) and HealthCare/Pharma (55%). The industries most likely to view the markets as undervalued were Technology (33%) followed by Services (23%).
- The S&P 500 stood at 4,475 at the midpoint of our 1Q22 survey data collection on February 16, 2022. It had dropped to 3,991 at the midpoint of our 2Q22 survey data collection window on May 9, 2022.

How do you regard US equity markets valuations?

Percent of CFOs saying US equity markets are overvalued, undervalued, or neither (responses are compared to S&P 500 at survey midpoint)



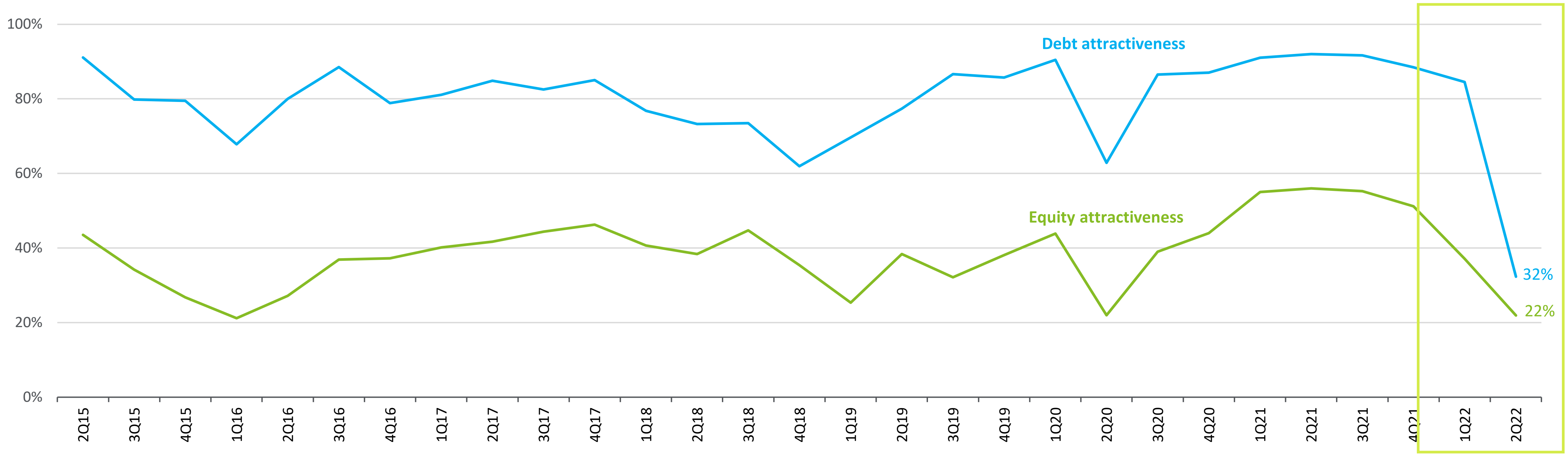
ASSESSMENTS OF CAPITAL MARKETS AND RISK: ATTRACTIVENESS OF DEBT AND EQUITY FINANCING

Against the backdrop of the Federal Reserve increasing interest rates by half a percentage point—announced two days after the survey opened—the attractiveness of both debt and equity in the eyes of CFOs fell significantly, compared to the prior quarter.

- CFOs' view of debt attractiveness significantly decreased this quarter to 32% from 85% in 1Q22. Thirty percent of public company CFOs viewed debt financing as attractive, down from 81% in 1Q22. Among private companies, 38% of CFOs considered debt financing as attractive, compared to 91% in the prior quarter.
- CFOs' views on equity financing's attractiveness also fell, to 22% in this quarter's survey from 37% in 1Q22. Among public companies, 21% of CFOs regarded equity financing as attractive, down from 33% in the prior quarter. Among private companies 23% of CFOs considered equity financing as attractive, down from 44% in 1Q22.
- T/M/E (67%) CFOs found debt financing less attractive than other industry CFOs, while Technology (67%) and Healthcare/Pharma (55%) CFOs found equity financing less attractive than their counterparts in other industries.

How do you regard debt/equity financing attractiveness?

Percent of CFOs citing debt and equity attractiveness (both public and private companies)

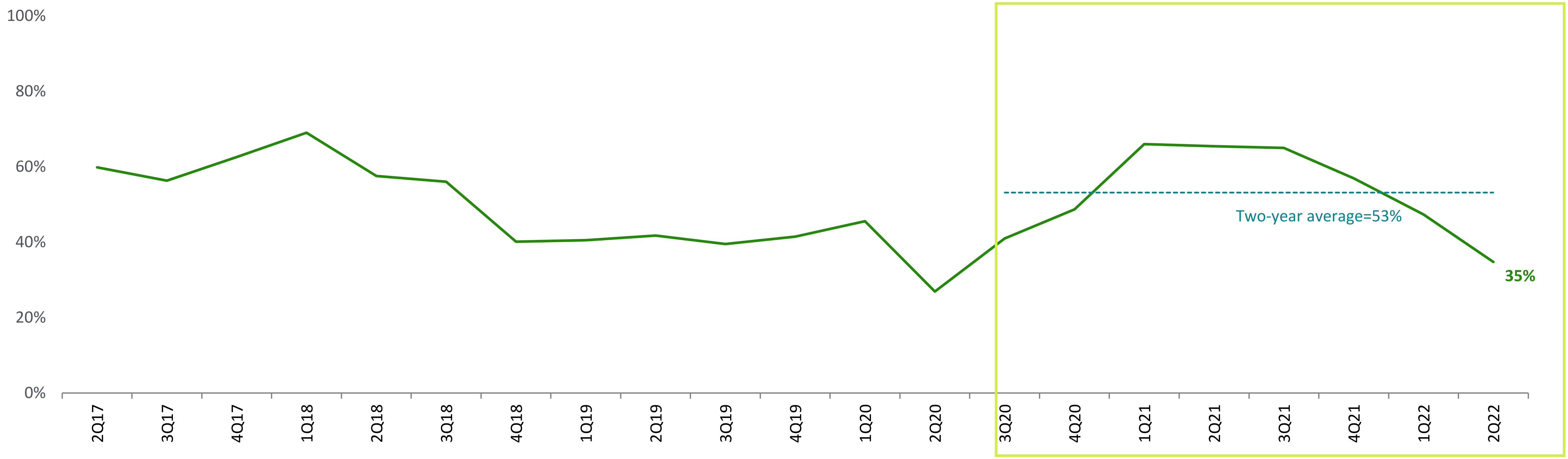


ASSESSMENTS OF MARKETS AND RISK: RISK APPETITE

This quarter's survey found a significantly smaller percentage of CFOs inclined toward risk-taking, compared to 1Q22. Slightly more than one-third (35%) of CFOs said now is a good time to take on greater risks, down from 47% in 1Q22. The 2Q22 figure is lower than the two-year average of 53% and slightly higher than the low point of 27% in 2Q20 when the COVID-19 pandemic was taking hold worldwide.

- CFOs in the following industries were most inclined toward risk-taking: Retail/Wholesale (47%), Energy/Resources (43%), and Services (42%).
- The 65% of CFOs who said *now is not a good time* to be taking greater risks could reflect concerns over inflation, increased interest rates, and the possibility of a recession, continued supply chain disruptions, and the impacts of the Russia-Ukraine war.
- CFOs who said this is not a good time to be taking greater risks were primarily in the Technology (78%), Financial Services (75%), and Manufacturing (70%) industries.

Risk appetite: Is this a good time to be taking greater risks?
Percent of CFOs saying it is a good time to be taking greater risks



As the Great Resignation continues, talent and retention dominated CFOs' long list of internal worries this quarter. CFOs expressed several related concerns, notably wage inflation, return-to-work challenges, employee morale, and work culture.

Strategy execution, financial performance, transformation, supply chain issues, operational challenges, and increased costs also appeared among CFOs' most worrisome internal risks this quarter, as did raising capital against the backdrop of the Federal Reserve increasing interest rates by half a percentage point.

Which internal risk worries you most? *(Key themes)*

Sample themes, subthemes, and comments for CFOs' internal risk worries*

Talent (37)

- *Ability of company to flex sufficiently to meet employees' requirements*
- *Getting the right talent to move technology investments forward*
- *Lack of focus from employees who are still in a cognitive haze from COVID and wanting to work remotely*
- *Resource management as turnover increases and the rate for specialized roles increases*

Retention (37)

- *Customer sentiment with lower staffing levels*
- *Great Resignation*
- *Loss of talent due to attrition*
- *Talent turnover*

Strategy execution (11)

- *Ability to execute multiple major initiatives concurrently*
- *Day-to-day effective execution*
- *Execution on strategic initiatives*
- *Implementing strategy*

Employee morale (5)

- *Employee morale in the face of a tougher business environment*
- *Maintaining a positive can-do/continuous improvement culture*
- *Burnout*
- *Employee fatigue*

Financial performance (4)

- *Ability to drive revenue growth initiatives that are important to drive divergence from broader industry backdrop*
- *More competition to put money to work*
- *Rising costs and less revenue. More pressure on fees being charged, lower margin products, more competition to put money to work*
- *Consistent and predictable business performance*

*While we have attempted to display CFOs' verbatim comments wherever possible, we have clarified some comments in the interest of economy and participant confidentiality.

ASSESSMENTS OF MARKETS AND RISK: MOST WORRISOME EXTERNAL RISKS

Macroeconomic matters and their impacts—for example, on supply chains and the capital markets—rank high on CFOs' list of most concerning external risks. Inflation was cited most frequently, and some CFOs went further, noting they are worried about the possibility of recession or stagflation. Concerns over higher interest rates appeared to dovetail with worries over the capital markets.

Geopolitics, including the Russia-Ukraine war, figured heavily in CFOs' most worrisome external concerns this quarter. Some CFOs also are closely watching developments in China.

Which external risk worries you most? *(Key themes)*

Sample themes, subthemes, and comments for CFOs' external risk worries*

Inflation (47)

- *Inflation and the risks of a recession*
- *High inflation leading to a recession*
- *Interaction of multiple macro events - inflation, Ukraine, supply chain, COVID, food prices/shortages, commodity prices, higher interest rates*
- *Runaway inflation*
- *Pace of inflation*
- *Commodity type inflation, like fuel and cotton*
- *Persistent inflation*
- *Inflation, including higher interest rates*

Economy/Recession (30)

- *Potential recession*
- *Economic hiring slowdown*
- *Macroeconomic slowdown resulting from policy and/or geo-political developments*
- *Recession, prolonged Inflation and its impact on discretionary income*
- *Pace of rising yields*
- *Economic growth*
- *Extended bear market risks*
- *Interest rate increases causing a US recession that will also impact Europe*

Geopolitics (39)

- *Geopolitics issues leading to worsening global macroeconomic issues*
- *Geopolitics…China's delay of reopening, Russia interests beyond Ukraine*
- *Escalation of Russia/Ukraine situation*
- *Geopolitical tension*
- *Escalation of geopolitical conflicts*
- *East European war activities*
- *Ukraine war impacting global confidence*
- *Impact of prolonged Russia/Ukraine war*

Supply chain (18)

- *Supply chain disruptions exacerbated by COVID pandemic and East European war activities*
- *Energy supply, especially across Europe*
- *Global demand*
- *Global supply chain*
- *World-wide supply chain issues*
- *Supply chain performance*
- *Supply challenges*
- *Supply chain uncertainties*

*While we have attempted to display CFOs' verbatim comments wherever possible, we have clarified some comments in the interest of economy and participant confidentiality.

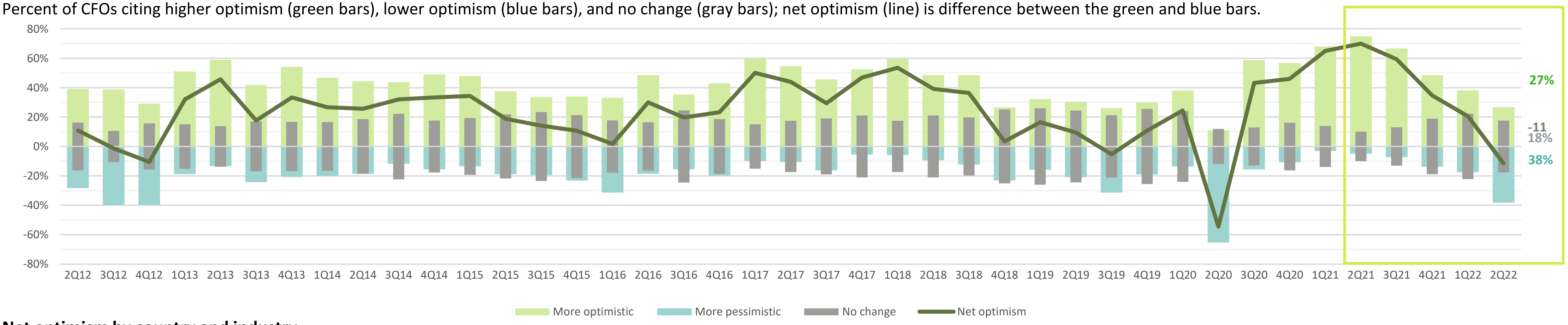
EXPECTATIONS FOR OWN COMPANY'S FINANCIAL PROSPECTS

The percentage of CFOs expressing more optimism for their companies' financial prospects compared to three months prior to participating in the survey declined to 27% from 38% in 1Q22. The 27% figure also represents a significant drop from 70% in the 2Q21 *CFO Signals* survey.

- Overall, CFOs' level of net optimism (percent of CFOs citing rising optimism regarding their companies' prospects minus the percent citing falling optimism) declined this quarter to -11 from +21 in 1Q22, as 38% of CFOs indicated declining optimism and 27% expressed rising optimism.
- Net optimism among US CFOs decreased to -10 this quarter from 1Q22's +17.
- Among CFOs of Canadian companies, net optimism decreased to -13 from +38 last quarter. The majority of Canadian respondents (63%) indicated their level of optimism was broadly unchanged; that compares to 38% in 1Q22. The net optimism among CFOs of Mexican companies decreased to -33 from +67 in 1Q22. *Note: Only 8% and 3% of participants were from Canada and Mexico, respectively, so the sample size was much smaller than for the US.*
- Energy/Resources CFOs indicated the highest level of net optimism (+14). The lowest levels of net optimism were in T/M/E, Financial Services, and Healthcare/Pharma at -67, -38, and -27, respectively. *Note: It's important to keep in mind the number of respondents for each industry, particularly those industries with a smaller respondent pool (see respondents by industry on page 3).*

Compared to three months ago, how do you feel now about the financial prospects for your company?

Percent of CFOs citing higher optimism (green bars), lower optimism (blue bars), and no change (gray bars); net optimism (line) is difference between the green and blue bars.



Net optimism by country and industry

Total	Mexico	Canada	US	Technology	Retail/ Wholesale	Healthcare/ Pharma	Manufacturing	Financial Services*	Services	Energy/ Resources	T/M/E
-11	-33	-13	-10	-11	+6	-27	-10	-38	-8	+14	-67

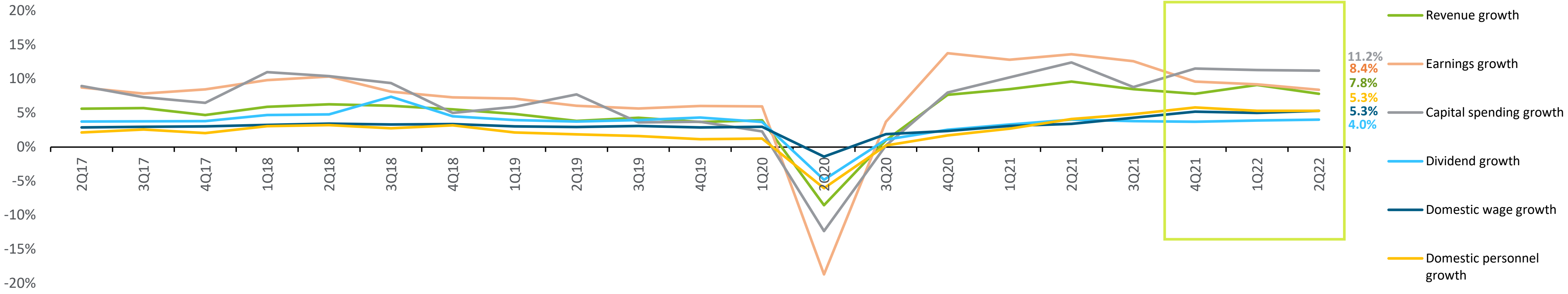
*Financial Services includes insurance, banking and securities, investment management, real estate, and private equity/hedge funds.

EXPECTATIONS FOR GROWTH IN KEY METRICS, YEAR OVER YEAR

CFOs lowered their YOY growth expectations for revenue, earnings, and capital spending from the prior quarter. Meanwhile, they indicated a marginal increase in their YOY growth expectations for dividends and domestic wages/salaries. CFOs' growth expectations for domestic hiring stayed flat from the prior quarter, likely reflecting talent shortages.

- **Revenue growth** decreased to 7.8% from 9.1% in 1Q22. CFOs in Retail/Wholesale and Energy/Resources reported the highest expectations, at 13.0% and 12.3%, respectively.
- **Earnings growth** declined to 8.4% from 9.2% in 1Q22. In contrast, expectations for double-digit growth was cited by CFOs in Retail/Wholesale (14.7%), Energy/Resources (12.5%), and Services (11.8%).
- **Capital spending growth** fell slightly to 11.2% from 11.3% in 1Q22. Retail/Wholesale (22.3%), Services (14.3%), Energy/Resources (13.2%), and Healthcare/Pharma (11.3%) indicated the highest expectations.
- **Dividend growth** inched up slightly to 4.0% from 3.9% in 1Q22. Industries expecting the greatest growth in dividends were Energy/Resources (7.8%), Services (4.8%), and Manufacturing (4.8%).
- **Domestic wages/salaries growth** increased to 5.3% from 5.1% in 1Q22. Financial Services (6.7%), Energy/Resources (5.8%), Services (5.7%), and Retail/Wholesale (5.6%) noted the highest expectations.
- **Domestic hiring growth** was unchanged overall (5.3%) from 1Q22. Energy/Resources (8.8%), Technology (6.9%), and Retail/Wholesale (6.5%) CFOs indicated the strongest growth expectations in this area.

Performance and investment expectations
Compared to the past 12 months, how do you expect key metrics to change over the next 12 months?



Growth expectations by country and industry

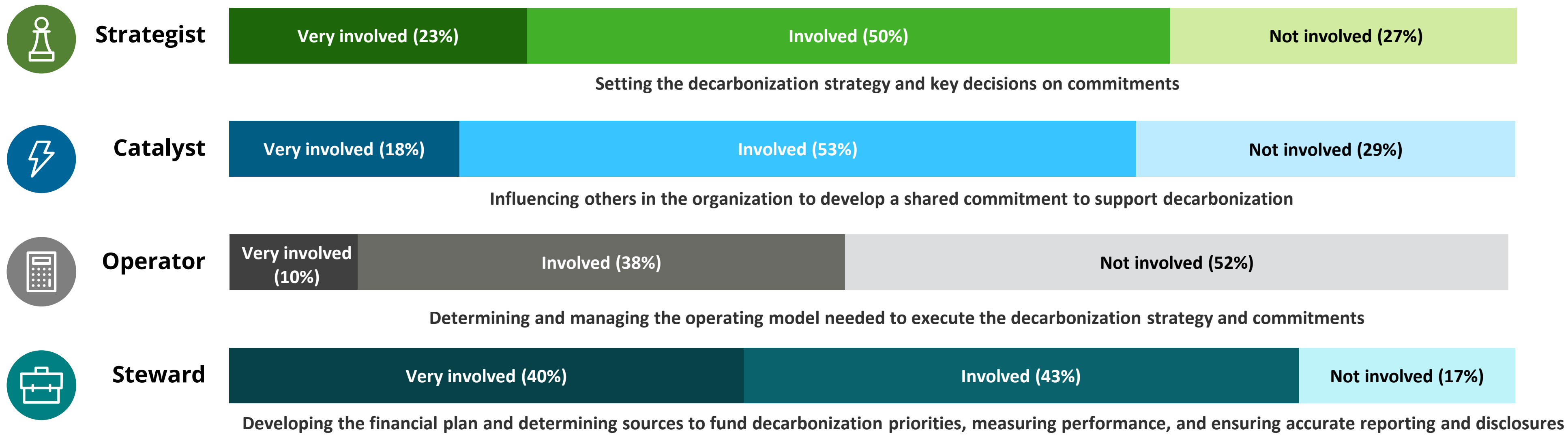
	Total	US	Mexico	Canada	Manufacturing	Retail/ Wholesale	Technology	Energy/ Resources	Financial Services	Healthcare/ Pharma	T/M/E	Services
Revenue	7.8%	7.9%	10.3%	5.6%	6.8%	13.0%	9.3%	12.3%	2.7%	5.7%	1.5%	8.8%
Earnings	8.4%	8.6%	13.0%	3.9%	7.0%	14.7%	5.2%	12.5%	2.8%	7.4%	0.5%	11.8%
Capital spending	11.2%	9.6%	48.3%	12.1%	9.9%	22.3%	0.8%	13.2%	6.4%	11.3%	0.0%	14.3%
Dividends	4.0%	3.8%	8.0%	4.1%	4.8%	4.6%	0.0%	7.8%	2.6%	4.1%	1.0%	4.8%
Domestic wages/salaries	5.3%	5.3%	4.3%	5.6%	4.4%	5.6%	5.1%	5.8%	6.7%	4.7%	3.0%	5.7%
Domestic hiring	5.3%	5.0%	2.3%	9.0%	3.8%	6.5%	6.9%	8.8%	5.1%	5.4%	-1.9%	4.7%

SPECIAL TOPIC: DECARBONIZATION AND THE ROLE OF THE CFO

CFOs report extensive involvement in their organizations' decarbonization efforts across the Four Faces of the CFO as a strategist, catalyst, and steward, thus helping to shape decarbonization strategies and influence stakeholders, while working to protect their organizations' assets. Perhaps it's not surprising that CFOs are less involved from an operational perspective given the role of other business leaders.

- Nearly three-quarters (73%) of surveyed CFOs said they are very involved or involved to some extent in their organizations' decarbonization efforts as a strategist.
- As catalyst, 71% of CFOs noted they are very involved or involved in their organizations' decarbonization efforts.
- Less than half (48%) reported being very involved or involved in their organizations' decarbonization efforts in the operator role.
- As steward, 83% of CFOs indicated they are very involved or involved in their organizations' decarbonization efforts.

To what degree are you involved in your organization's decarbonization efforts in the following roles? (N=95*)



*95 respondents (98% of total). Standard deviation of data winsorized to 5th/95th percentiles.

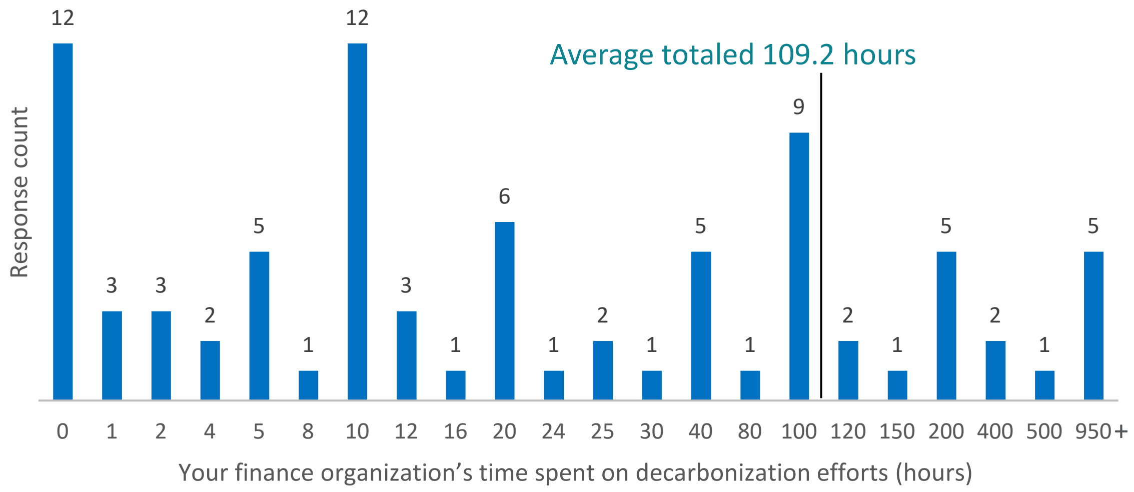
SPECIAL TOPIC: DECARBONIZATION AND EXPECTED TIME ALLOCATION BY CFOS AND THEIR FINANCE ORGANIZATIONS

In the next year, CFOs anticipate spending nearly 10 hours on average per month on their organizations' decarbonization efforts. In addition, they expect their finance teams to spend slightly more than 109 hours per month on decarbonization-related matters.

How many hours per month do you anticipate spending on decarbonization efforts next year? (N=90*)

*90 respondents (92.8% of total). Standard deviation of data winsorized to 5th/95th percentiles.

How many hours per month do you anticipate your finance organization spending on decarbonization efforts next year? (N=83*)



*83 respondents (85.6% of total). Standard deviation of data winsorized to 5th/95th percentiles. Three additional respondents noted "TBD," and these responses are not reflected in the above counts.

SPECIAL TOPIC: DECARBONIZATION AND EXPECTED TIME ALLOCATION BY CFOS AND THEIR FINANCE ORGANIZATIONS BY INDUSTRY

The number of hours CFOs expect to spend on decarbonization efforts personally and what they anticipate their finance organizations to spend per month varied by industry.

- CFOs in the Services industry indicated they expect to spend 15.1 hours per month on decarbonization efforts, followed by Healthcare/Pharma at 12.6 hours per month, Energy/Resources at 11.5 hours per month, and Manufacturing at 10.3 hours a month.
- CFOs indicating the least amount of less time per month came from T/M/E (2.5 hours) and Technology (4.3 hours). Note, those sectors had a smaller number of participants than other industries.
- Among industries, CFOs in Energy/Resources indicated the highest number of hours (326.8) they anticipate their finance organization spending on decarbonization efforts next year. They were followed by Healthcare/Pharma (168.7 hours per month), Services (127.9 hours), and Retail/Wholesale (127.5 hours).

How many hours per month do you as CFO anticipate spending on decarbonization efforts next year? (N=90*)

	Average by industry							
Total	Manufacturing	Retail/ Wholesale	Technology	Energy/ Resources	Financial Services	Healthcare/ Pharma	T/M/E	Services
9.7	10.3	7.9	4.3	11.5	8.3	12.6	2.5	15.1

*90 respondents (92.8% of total). Standard deviation of data winsorized to 5th/95th percentiles.

How many hours per month do you anticipate your finance organization spending on decarbonization efforts next year? (N=83)*

	Average by industry							
Total	Manufacturing	Retail/ Wholesale	Technology	Energy/ Resources	Financial Services	Healthcare/ Pharma	T/M/E	Services
109.2	52.1	127.5	88.0	326.8	37.7	168.7	10.0	127.9

*83 respondents (85.6% of total). Standard deviation of data winsorized to 5th/95th percentiles. Note 3 additional respondents noted “TBD” and these responses are not reflected in the above counts.

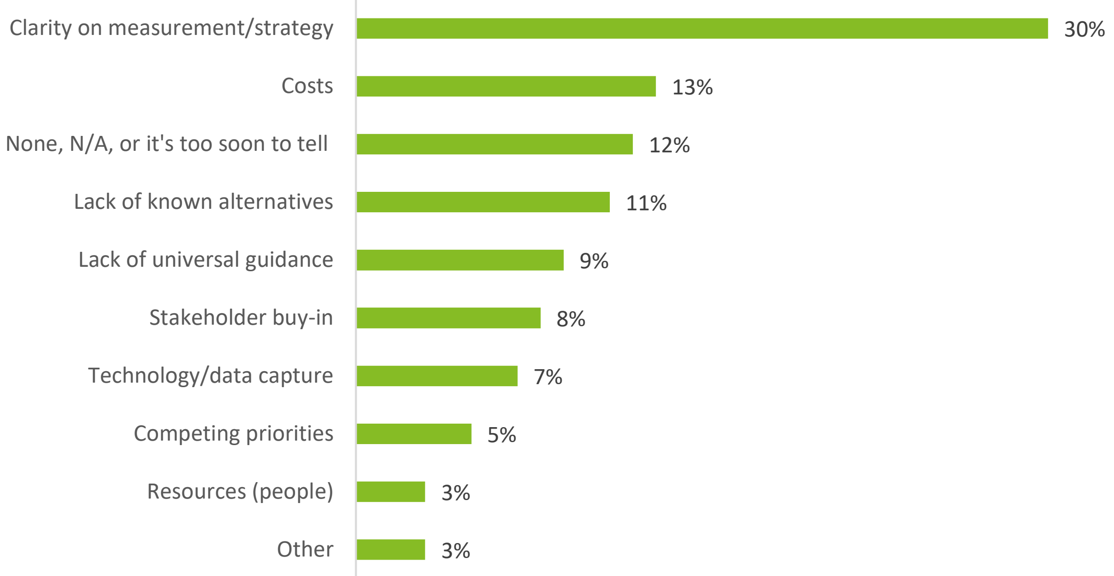
SPECIAL TOPIC: DECARBONIZATION AND CHALLENGES CFOS' ENTERPRISES FACE IN DEVELOPING AND EXECUTING A DECARBONIZATION STRATEGY, PLUS CHALLENGES FINANCE ORGANIZATIONS FACE IN DELIVERING ON THOSE GOALS

CFOs' responses to the question on the biggest challenges their organizations face in developing and executing their decarbonization strategy and the challenges their finance teams have in delivering on the strategy were often similar. Clarity on measurement/strategy and cost were challenges for both the enterprise and the finance organization.

Some categories received different levels of emphasis. For example, technology and data capture ranked at the top of finance teams' challenges, but these issues appeared less of a challenge at the enterprise level. CFOs also noted competing priorities as a major challenge for their finance teams to deliver on their organizations' decarbonization goals, but that was cited less frequently as a challenge for their organizations when developing and executing a decarbonization strategy.

What are the biggest challenges your enterprise/organization faces in developing and executing a decarbonization strategy? (N=81*)

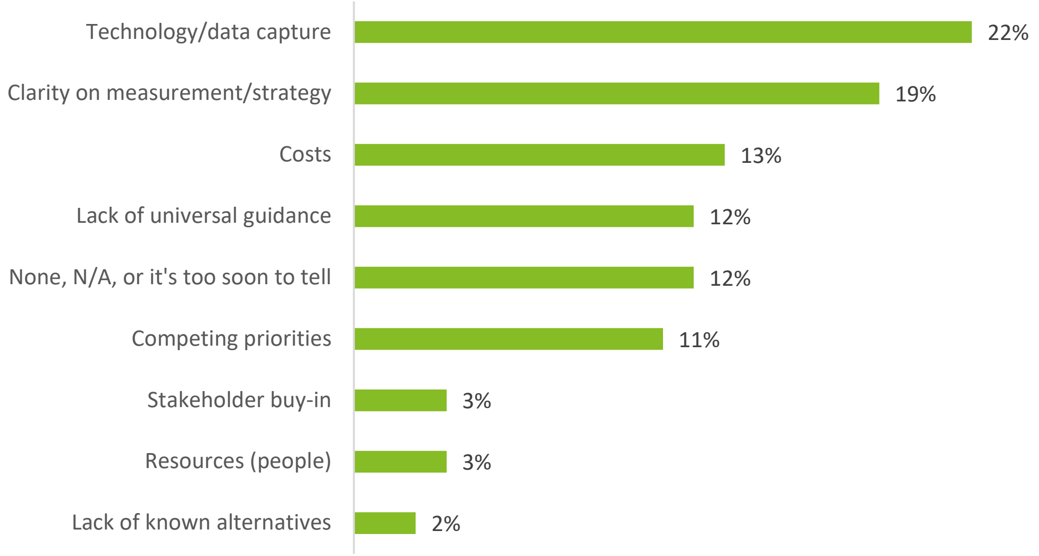
Most frequently cited comments by category**



*81 respondents (83.5% of total). Standard deviation of data winsorized to 5th/95th percentiles.

What are the biggest challenges your finance team faces in delivering on your organization's decarbonization goals? (N=73*)

Most frequently cited comments by category**



*73 respondents (75% of total). Standard deviation of data winsorized to 5th/95th percentiles.

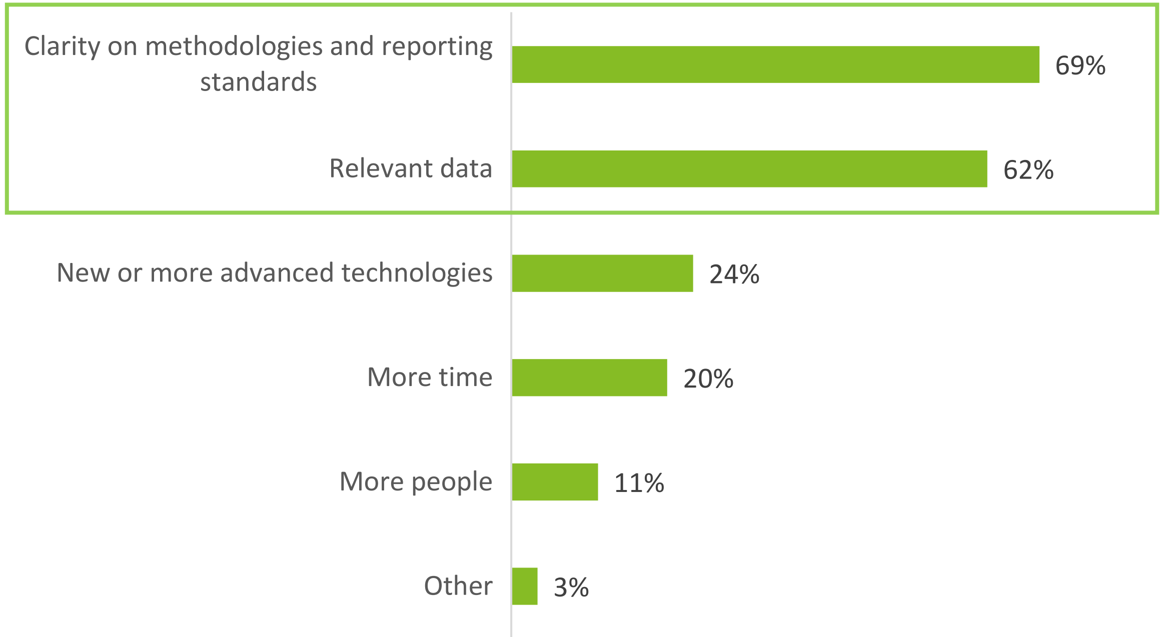
** Note, these categories were developed based on responses to open-ended text questions. While we have attempted to display CFOs' verbatim comments wherever possible, we have clarified some comments in the interest of economy and participant confidentiality.

SPECIAL TOPIC: DECARBONIZATION AND FINANCE NEEDS AND AREAS OF EXPECTED COSTS TO MEET DECARBONIZATION GOALS

Clarity on methodologies and reporting standards, along with relevant data, stood out as finance organizations' greatest needs to meet decarbonization-related requirements. More than three-quarters of CFOs expect increased operating and capital expenditures and transforming their overall business model and value chain to be the most significant costs they expect to incur to meet their organizations' decarbonization goals.

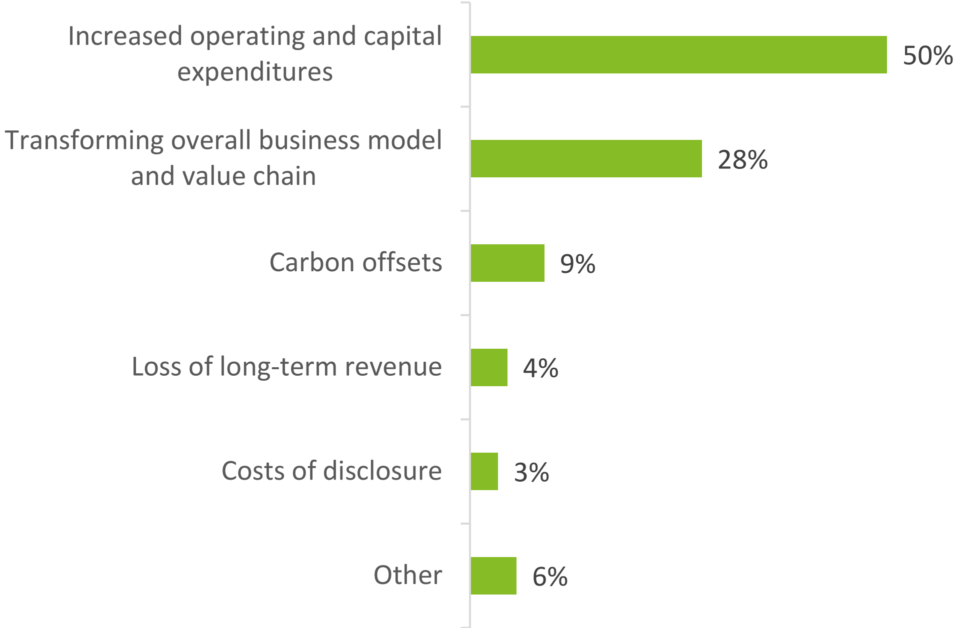
- When asked to name two things their finance organization needs most to meet decarbonization-related requirements, CFOs indicated clarity on methodologies and reporting standards (69%) and relevant data (62%). Other needs included new or more advanced technologies, more time, and more people.
- When CFOs were asked where they anticipate incurring the most significant costs related to their organizations' decarbonization goals, half of the CFO respondents indicated increased operating and capital expenditures.
- Twenty-eight percent said they anticipate incurring the most significant costs related to their organizations' decarbonization goals in transforming their overall business model and value chain.
- Other significant costs cited were carbon offsets (9% of CFOs), loss of long-term revenue (4% of CFOs), and costs of disclosure (3% of CFOs).

What two things do you think your finance organization needs most to meet decarbonization-related requirements, including disclosures? (N=89*)



*89 respondents (91.8% of total). Standard deviation of data winsorized to 5th/95th percentiles. Note, percentages do not total to 100% as respondents were asked to select multiple options.

Where do you anticipate incurring the most significant costs related to your organization's decarbonization goals? (N=90*)

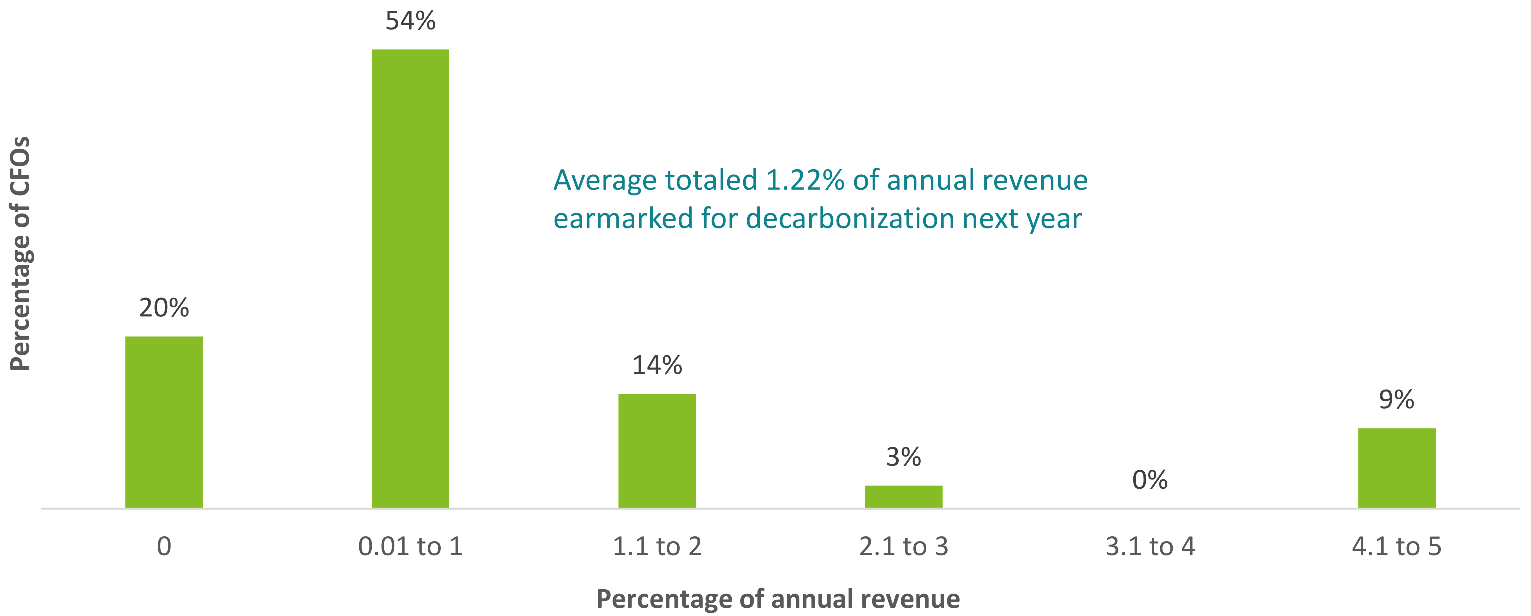


*90 respondents (92.8% of total). Standard deviation of data winsorized to 5th/95th percentiles.

SPECIAL TOPIC: DECARBONIZATION—ANNUAL REVENUE ALLOCATION

When CFOs were asked what percentage of their organizations' annual revenue will likely be earmarked for decarbonization over the next year, 20% of CFO respondents indicated zero percent. More than half (54%) of the CFOs noted their organizations intend to spend .01% to 1% of annual revenue on decarbonization over the next year. The remaining 26% said their organizations plan to spend between 1.1% and 5% of their annual revenue over the next year on decarbonization.

What percentage of annual revenue does your organization intend to spend on decarbonization over the next year? (N=74*)



*74 respondents (76.3% of total). Standard deviation of data winsorized to 5th/95th percentiles.

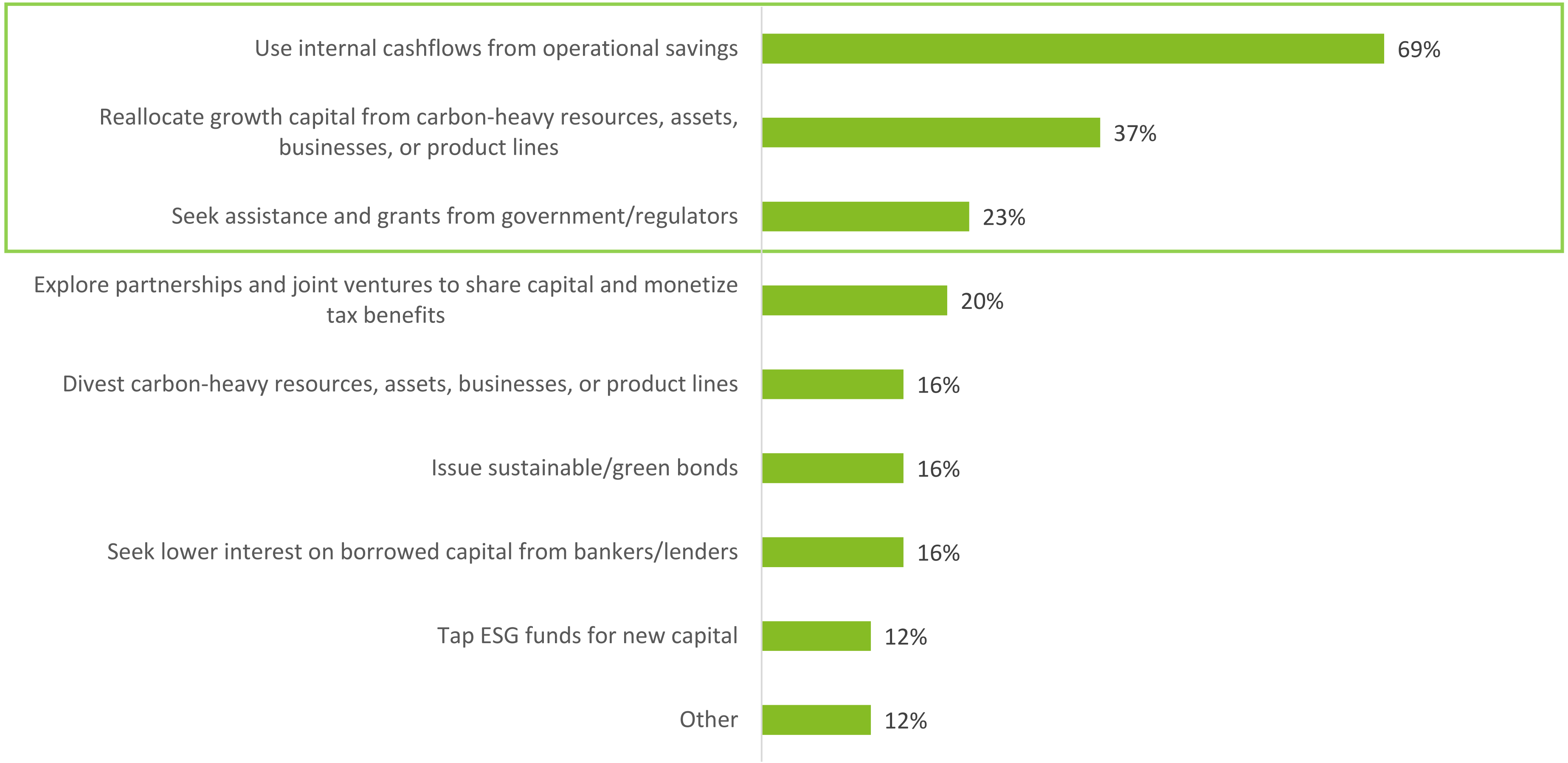
Average by industry							
Total	Manufacturing	Retail/ Wholesale	Technology	Energy/Resources	Financial Services	Healthcare/Pharma	Services
1.22%	1.45%	0.91%	0.38%	2.60%	1.05%	0.64%	1.73%

Note, there were no responses from T/M/E to this question.

SPECIAL TOPIC: DECARBONIZATION—WAYS TO FUND THE STRATEGY

When CFOs were asked what are the top three ways their organizations fund their decarbonization strategy, 69% said they use internal cashflows from operational savings. More than one-third (37%) indicated they reallocate growth capital from carbon-heavy resources, assets, businesses, or product lines. Nearly one-quarter (23%) reported they seek assistance and grants from government/regulators. One-fifth of CFOs said they explore partnerships and joint ventures to share capital and monetize tax benefits.

What are your organization's top three ways to fund its decarbonization strategy? (N=83*)



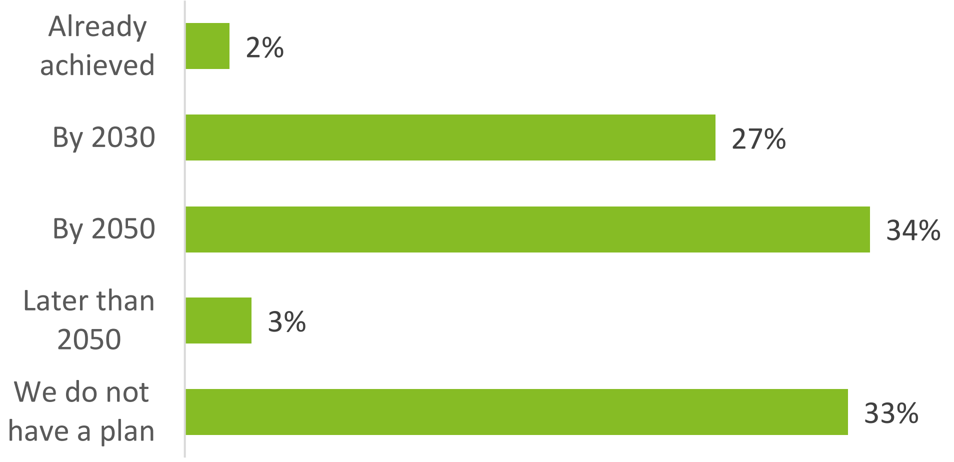
*83 respondents (85.6% of total). Standard deviation of data winsorized to 5th/95th percentiles. Note, percentages do not sum to 100% as respondents were asked to select multiple options.

SPECIAL TOPIC: DECARBONIZATION AND TIMELINE TO MEET NET-ZERO CARBON EMISSIONS

More than one-quarter of responding CFOs expect their organizations to meet their net-zero carbon emissions by 2030, while 34% project they will meet their target by 2050, and 3% later than 2050. Two percent of CFOs reported their organizations had already achieved their net-zero carbon emissions goal. Nearly one-third (33%) of CFOs reported their organizations do not have a plan. When CFOs were asked a similar question in the 4Q19 *CFO Signals,* 40% of CFOs indicated their organizations did not have emissions targets nor did they have any plans in this area, suggesting there has been some movement since then.

Reduction of carbon emissions is the predominant metric organizations are using—or plan to use—to measure the effectiveness of their decarbonization efforts. Almost one-third (32%) of CFOs noted that their organizations either do not have a plan in place to measure the effectiveness of their decarbonization strategy or that their plan is in development. Metrics that fall under the "Other" category include data being tracked for each business unit period over period, percentage of units' sales of decarbonized product lines, Virtual Power Purchase Agreements (VPPAs), and conversion from over-the-road to intermodal.

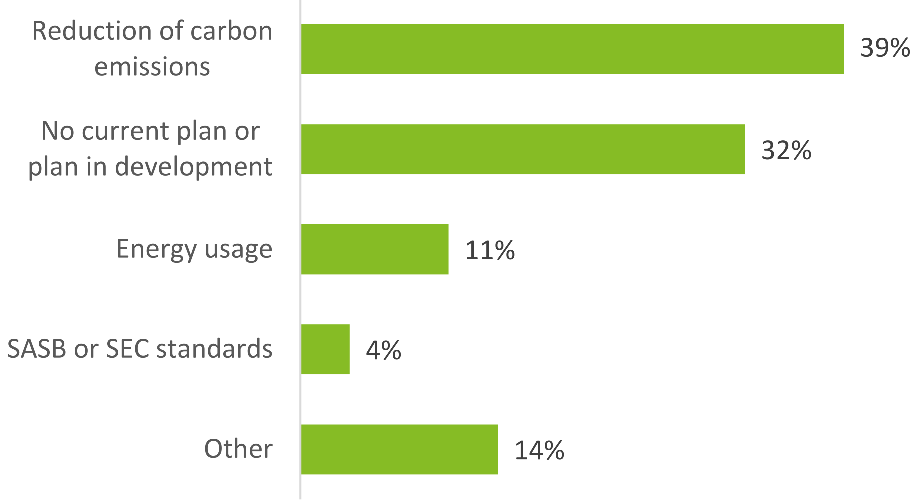
When do you expect your organization to reach net-zero carbon emissions? (N=90*)



*90 respondents (92.8% of total).

What metrics do you currently use, or plan to use, to measure the effectiveness of your organization's decarbonization efforts? (N=55*)

Most frequently cited comments by category**



*55 respondents (56.7% of total).

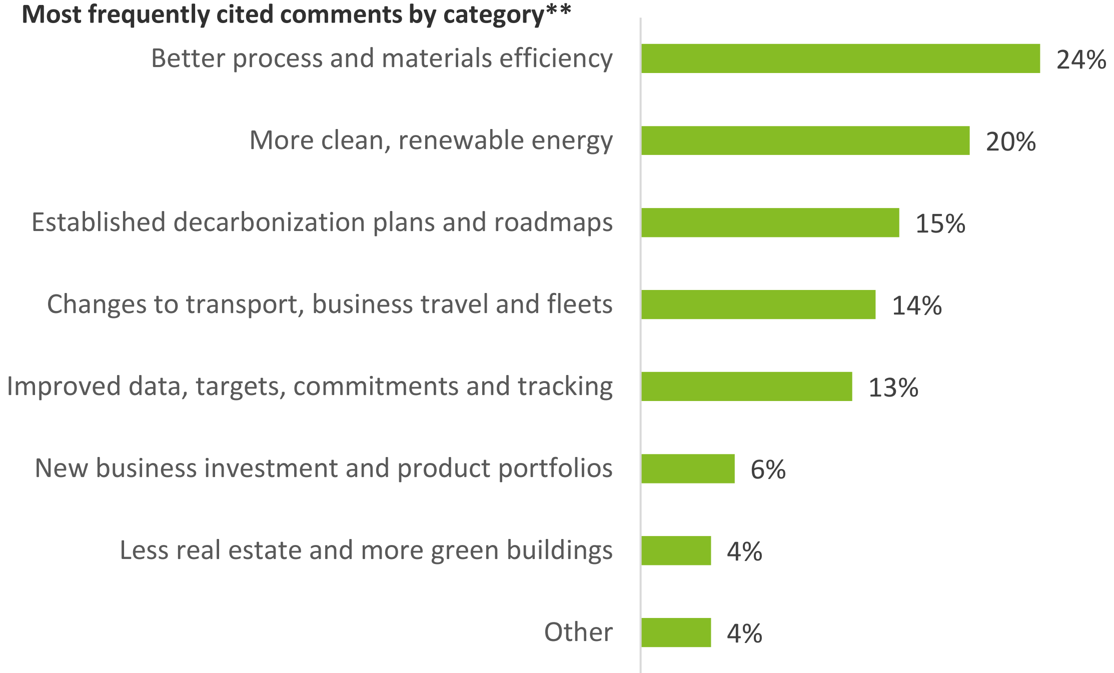
**Note, these categories were developed based on responses to open-ended text questions.

SPECIAL TOPIC: DECARBONIZATION AND MOST IMPACTFUL CHANGES ORGANIZATIONS EXPECT TO HAVE MADE BY 2025

When CFOs were asked what they believe will likely have been the most impactful change their company will have made to address decarbonization by 2025, the most comments revolved around better process and materials efficiency, cited by 24% of CFOs. Twenty percent of CFOs pointed to more clean, renewable energy. The next three categories were established decarbonization plans and roadmaps (15% of CFOs), followed by changes to transport, business travel, and fleets (14%), and improved data, targets, commitments, and tracking (13% of CFOs).

Looking ahead to 2025, what do you believe will likely have been the most impactful change that your company will have made to address decarbonization? (N=59*)

Most frequently cited comments by category**



Sample comments**

- Having investee companies provide their decarbonization plans
- Partnering with customers to develop and execute on their decarbonization journey/strategy
- Broader electric vehicle adoption
- Identification of existing footprint and ability to modify
- Reducing exposure to heavy-carbon companies
- Product take-back programs globally to reduce waste
- Redefine productions processes to use less water
- Travel and transportation optimization
- Invest in alternative energy projects by signing long-term contractual commitments
- Installation of significant solar panels and electric charging stations
- Reduction in contribution to waste and water usage
- Taking thousands of diesel trucks out of our fleet
- Virtual Power Purchase Agreements
- Carbon offsets
- Utilizing a combined cooling, heat and power (CCHP) system to lower our use of electricity generated by utilities

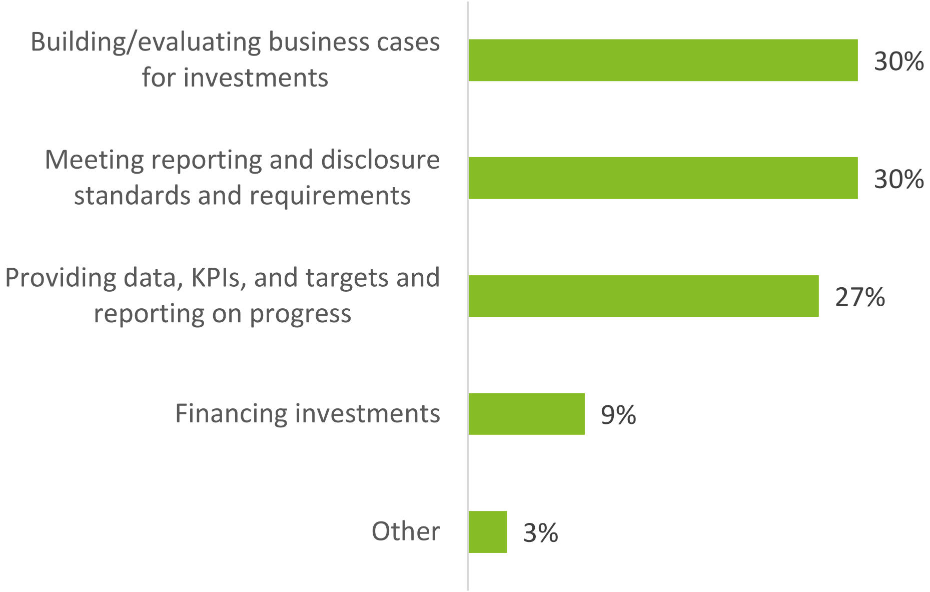
*59 respondents (60.8% of total).
**Note, these categories were developed based on responses to open-ended text questions. While we have attempted to display CFOs' verbatim comments wherever possible, we have clarified some comments in the interest of economy and participant confidentiality.

SPECIAL TOPIC: DECARBONIZATION AND MOST IMPACTFUL CHANGES CFOS AND THEIR FINANCE TEAM EXPECT TO HAVE MADE BY 2025

Nearly one-third (30%) of the CFOs who responded to this question indicated that the most impactful change they and/or their finance organization will have made to address decarbonization by 2025 falls in the area of building or evaluating business cases for investing in decarbonization. Comments from another 30% focused on meeting reporting and disclosure standards/requirements, and the comments of 27% of CFOs zeroed in on providing data, KPIs, targets, and reporting on progress toward their organizations' decarbonization goals.

Looking ahead to 2025, what do you believe will likely have been the most impactful change that you and/or your finance organization will have made to address decarbonization? (N=53*)

Most frequently cited comments by category**



*53 respondents (54.6% of total).

Sample comments**

- More systematic and auditable approaches to metrics setting and ultimately validation/assurance
- Providing financial information to assess which projects we should undertake to reduce GHG
- Raising green bonds to finance green building development
- Define specific KPIs which will help to define the sustainability program roadmap while ensuring external benchmarking
- Guide on data collection to accurately measure impacts made, refocus business case justifications considering carbon footprint in prioritization of investments
- Increase staffing and investment in technology
- Appropriately funding projects to decarbonize our own built environment to be a strong example for customers and our industry
- Continued financial support including capital for things like solar panels and alternative fuel sources
- Leadership in supporting the cause and arranging for financing
- Providing the allocation of resources to prioritized initiatives proven to deliver results and tracking data for accountability
- Standardization of reporting and implementation of compliance processes related to decarbonization

**Note, these categories were developed based on responses to open-ended text questions. While we have attempted to display CFOs' verbatim comments wherever possible, we have clarified some comments in the interest of economy and participant confidentiality.

Deloitte.

Important notes about this survey report

The Deloitte North American *CFO Signals™* survey is a quarterly survey of CFOs from large, influential companies across North America. Each quarter since 2Q10, *CFO Signals* has tracked the thinking and actions of CFOs representing many of North America's largest and most influential companies. All respondents are CFOs from the US, Canada, and Mexico, and the vast majority are from public and private companies, predominantly with more than $1 billion in annual revenue. Participation is open to all industries except for public sector entities.

The purpose of the survey is to provide these CFOs with quarterly information regarding the perspectives and actions of their CFO peers across four areas: business environment, company priorities and expectations, finance priorities, and CFOs' personal priorities. Participating CFOs have agreed to have their responses aggregated and presented. At the opening of each survey period, the CFOs receive an email containing a link to an online survey hosted by a third-party service provider. The response period is typically two weeks, and CFOs receive a summary report generally two to three weeks after the survey closes.

As a "pulse survey," *CFO Signals* is not, nor is it intended to be, scientific in any way, including in its number of respondents, selection of respondents, or response rate, especially within individual industries. Accordingly, this report summarizes findings for the surveyed population, but does not necessarily indicate economy- or industry-wide perceptions or trends.

This publication contains general information only, and Deloitte is not, by means of this publication, rendering accounting, business, financial, investment, tax, legal, or other professional advice or services. This publication is not a substitute for such professional advice or services, nor should it be used as a basis for any decision or action that may affect your business. Before making any decisions that may impact your business, you should consult a qualified professional advisor.

Acknowledgements
We thank the following for their support in developing the 2Q22 *CFO Signals* survey report: Abhinav Annapureddy, Justine Barry, Maureen Cashman, Briana D'Agati, Greg Dickinson, Josh Hyatt, Mike Licata, Utkarsh Londe, Alok Ranjan, and Sanjay Vadrevu.

For more information about Deloitte's CFO Program, visit our website at www.deloitte.com/us/cfo

The CFO Program