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CFO Signals™

What North America's top finance executives are thinking—and doing

2nd quarter 2021

MAKING AN IMPACT THAT MATTERS since 1845

Dear CFOs,

Like the second quarter of 2021 itself, the 2Q21 *CFO Signals™* survey reveals both signs of optimism and concerns for the future. In addition to seeking your perceptions of regional economies and your expectations for key metrics, we asked about actions your companies are taking with respect to transformation (albeit, not every company is undertaking one) and diversity, equity, and inclusion (DEI). Following are some key takeaways:

- **Increasing own-company optimism:** Compared to three months ago, more than half of CFOs (59%) feel somewhat more optimistic about their companies' financial prospects, and 16% are significantly more optimistic—both slight upticks from 1Q21.
- **Mixed views of the North American economy:** Seventy-five percent of CFOs view conditions in the current North American economy as good or very good, a leap from 29% in 1Q21, and 62% believe they will be better or much better a year out, a decline from 73% in 1Q21.
- **Higher expectations for growth in key metrics:** CFOs project year-over-year revenue growth at 9.6%, earnings at 13.6%, dividends at 4%, capital spending at 12.4%, and domestic hiring and wages/salaries at 4.1% and 3.4%, respectively.
- **Capital markets:** Eighty-six percent of CFOs regard equities as overvalued, up slightly from 83% in 1Q21. Both debt and equity financing remain attractive.
- **Visible concerns over talent, the economy, and inflation:** CFOs' most worrisome internal risk is talent—returning employees back to work on-site, as well as recruiting and retaining them. Economic stability and inflation take the lead for CFOs' top external risk.
- **Intense focus on transformation; more demands for finance:** A majority of CFOs indicate a range of transformations underway: digitalization of functions, supply chain optimization, integrated business planning, moving to a hybrid work model, and reducing CO_2e emissions to name a few.
- **DEI:** Formalization of programs and policies, identification of DEI leaders, and establishment of clear goals* and metrics are among steps being taken to advance DEI. Some organizations are holding leaders—including CFOs and their teams—accountable for achieving objectives, including by linking them to compensation and incentives.

As CFOs you face multiple issues at once, and they continually evolve. Based on your suggestions, we plan to cover matters that impact your operations in future surveys (e.g., supply chain constraints, new customer demands, geopolitical pressures, regulatory changes, and others). Speaking of evolving, *CFO Signals* is too, and we hope the report's wider format and new navigation tabs on the following pages make for easier reading.

Thank you for taking time to participate in *CFO Signals* and share your comments. Please feel free to reach out at any time with questions or suggestions.

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*Goals are not quotas.

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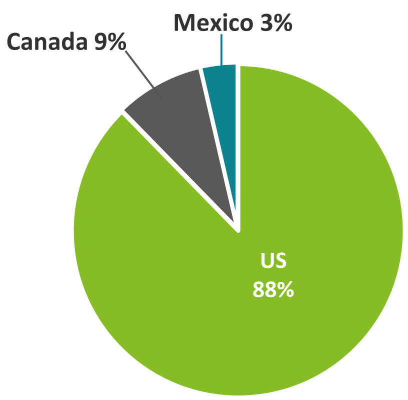
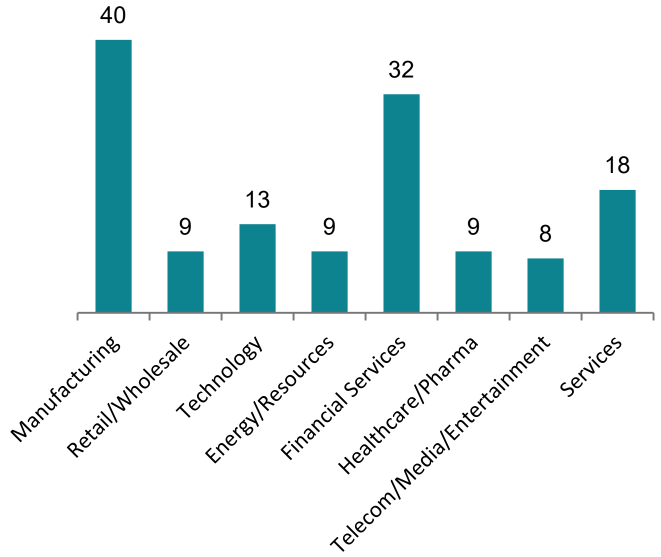
Participation profile

A total of 138 CFOs participated: 70% from public companies and 30% from privately held companies. Respondents are CFOs from the US, Canada, and Mexico, and the vast majority are from companies with more than $1 billion in annual revenue. The 2Q21 survey was open from May 3-14, 2021. For other information about participation, methodology, and industry-specific results, please contact nacfosurvey@deloitte.com.

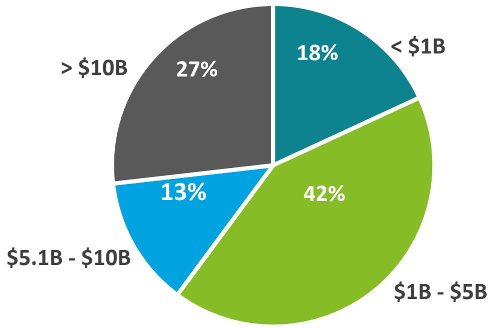
Participation by country



Participation by industry



Participation by company size



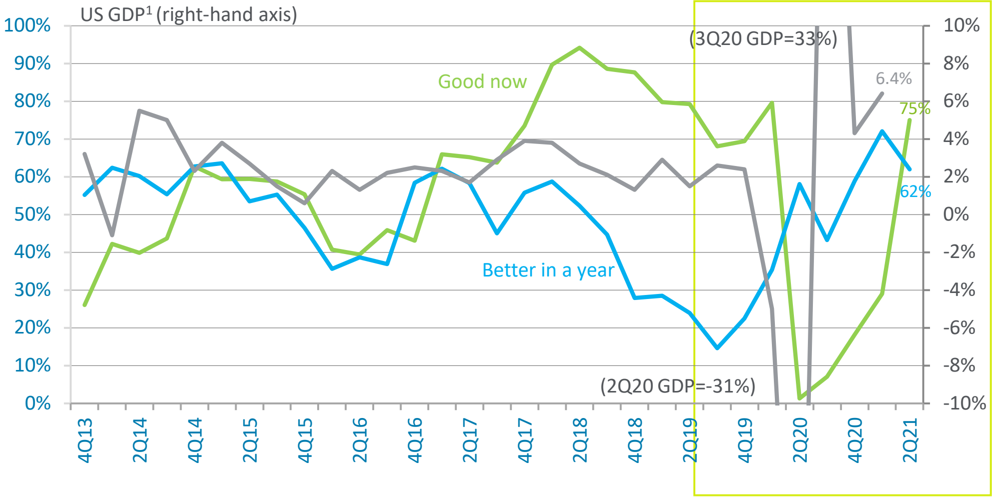
2Q21 LONGITUDINAL BUSINESS OUTLOOK HIGHLIGHTS

CFOs continue to project relatively strong outlooks for the North American economy and their own companies.

Economic outlook

- The proportion of CFOs rating the current North American economy as good or very good increased significantly from 29% in 1Q21 to 75%. Only 3% rated it as bad, down from 13% in 1Q21; none rated it as very bad. The percentage of CFOs expecting better conditions in a year dipped from 73% in 1Q21 to 62% this quarter.
- Assessments of Europe's current and future economies improved to 19% and 46%, respectively. More than half (62%) of CFOs rated China's current economy as good, up from 57% in 1Q21; however, 53% expect better conditions in a year, down from 64% in the previous survey.

Views on North American economy



Economy optimism

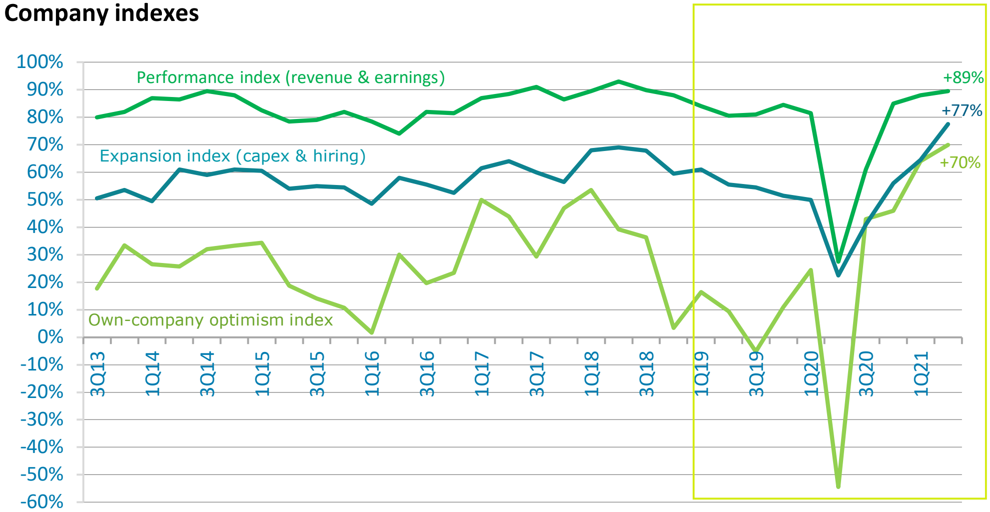
	Good now		Better in a year		Last quarter	2-yr. avg
North America	↗	75%	→	62%	29/73	43/46
Europe	↗	19%	↗	46%	7/36	7/25
China	↗	62%	→	53%	57/64	30/40

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

Company outlook

- The **own-company optimism index rose** from +64 to +70 on positive sentiment across all industries. (Index = percent of CFOs citing rising optimism regarding their companies' prospects minus the percent citing falling optimism.)
- The **performance index increased** from +88 to +89 on increased revenue and earnings growth expectations; Retail/Wholesale is by far the most optimistic. (Index = average of percentages of CFOs citing positive YOY revenue growth and earnings growth.)
- The **expansion index moved** from +65 to +77 on higher expectations for capital spending and domestic hiring, led by Services and Retail/Wholesale. (Index = average of percentages of CFOs citing positive YOY capital spending growth and domestic hiring growth.)

Company indexes



Company optimism and growth

		This quarter	Last quarter	2-yr. avg.
Own-company optimism (net)	↗	+70	+64	+25
Revenue growth (YOY)	↗	9.6%	8.5%	2.6%
Earnings growth (YOY)	→	13.6%	12.8%	3.7%
Capital investment growth (YOY)	→	12.4%	10.2%	2.38%
Domestic personnel growth (YOY)	↗	4.1%	2.7%	0.48%

2Q21 HIGHLIGHTS

CFOs indicate improving views of current conditions in regional economies, with a mixed outlook for future conditions. Despite increased optimism for their own companies' prospects, CFOs cite several external and internal risks weighing on their minds—primarily economic stability, inflation, and talent.

Assessments of regional economies

North America

Current conditions: **54%** good and **21%** very good
(up from a total of 29% in 1Q21)
3% bad
A year from now: **50%** better and **12%** much better
(down from a total of 73% in 1Q21)
8% worse

Europe

Current conditions: **17%** good and **2%** very good
(up from a total of 7% in 1Q21)
29% bad
A year from now: **41%** better and **5%** much better
(up from total of 36% in 1Q21)
8% worse

China

Current conditions: **44%** good and **18%** very good
(up from a total of 57% in 1Q21)
5% bad
A year from now: **42%** better and **11%** much better
(down from a total of 64% in 1Q21)
3% worse

Views on capital markets

US equity markets

Overvalued: **86%**
Undervalued: **2%**

Equity financing attractiveness

Very attractive: **21%**
Somewhat attractive: **35%**
Unattractive: **18%**

Debt financing attractiveness

Very attractive: **64%**
Somewhat attractive: **28%**
Unattractive: **6%**

Own-company financial prospects compared to three months ago

More optimistic: **75%**
More pessimistic: **5%**
No change: **20%**
Net optimism: **+70**

Country variations: 78% of US-based CFOs expressed greater optimism; 60% of CFOs of Mexico-based companies and 58% of CFOs of Canada-based companies indicated greater optimism. The number of Mexico and Canada respondents was significantly lower than the number of US participants.

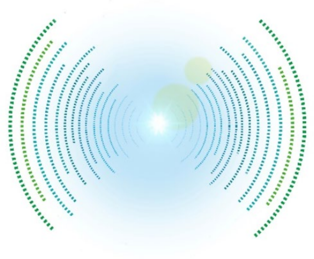
Most worrisome risks

External: Economic stability and inflation, followed by government policies—especially the possibility of increased corporate taxes—were among CFOs' greatest worries. Another key concern is a resurgence of COVID-19.

Internal: Talent—retaining and attracting employees and transitioning back to work on-site—were CFOs' most worrisome internal risks by far. Execution and growth, along with transformation and change management, are other key internal concerns.

Is this a good time to be taking greater risks?

Yes: **65%** No: **35%**



2Q21 HIGHLIGHTS

Across key metrics—revenue, earnings, dividends, capital expenditures, domestic hiring, and domestic wages/salaries—CFOs are signaling higher expectations for growth. Their overall positive sentiment for regional economies and their own companies' financial prospects, along with the headway made in combatting the pandemic, likely underlie the boost in growth expectations from 1Q21.

Company expectations for key metrics

Revenue growth

9.6% from 8.5 % in 1Q21

What changed: In a major turnaround from the same quarter a year ago, CFOs' growth expectations for revenue came in at 9.6% for 2Q21. That compares with -8.6% in 2Q20. Of course, there were industry variations: CFOs in the Retail/Wholesale and Manufacturing industries indicated the highest growth expectations, and Healthcare/Pharma the lowest expectations as the latter continues to climb out from the pandemic's impact.

Earnings growth

13.6% from 12.8% in 1Q21

What changed: At 13.6%, CFOs' expectations for earnings growth rose from 1Q21, but lag behind 4Q20's expectations of 13.8% growth. For context, consider that CFOs' expectations for earnings growth was -18.7% in 2Q20. CFOs in the Retail/Wholesale and Manufacturing industries showed the highest expectations for earnings growth and those in Healthcare/Pharma and Financial Services the lowest.

Dividend growth

4.0% from 3.3% in 1Q21

What changed: While 4.0% growth was an increase from 1Q21, it stayed well below survey highs. The Healthcare/Pharma, Energy/Resources, and Services industries indicated the highest expectations for dividend growth, while the lowest expectations for growth were in the T/M/E and Technology industries.

Capital expenditures

12.4% from 10.2% in 1Q21

What changed: At 12.4%, CFOs' expectations for capital spending tied with the survey high in 2Q10, the start of the *CFO Signals* survey. Services, Retail/Wholesale, and Manufacturing CFOs had the highest growth expectations; those in the T/M/E and Healthcare/Pharma industries reported the lowest expectations.

Domestic hiring

4.1% from 2.7% in 1Q21

What changed: Perhaps not surprising, CFOs increased their expectations for domestic hiring to 4.1%, the highest level since 2Q10. CFOs in the Retail/Wholesale and Technology industries reported the highest expectations, while those in the T/M/E and Financial Services industries had the lowest growth expectations for domestic hiring.

Domestic wages/salaries

3.4% from 3.1% in 1Q21

What changed: As many organizations compete for talent, especially as they begin to resume on-site work, many CFOs noted expectations for domestic wages/salaries to increase. Retail/Wholesale and Services CFOs indicated the highest expectations for this metric. The T/M/E, Financial Services, and Energy/Resources industries reported the lowest expectations.

See page 15 for more details.

2Q21 CORE SURVEY QUESTIONS AND RESPONSES AT A GLANCE

While CFOs appear to have more positive outlooks for regional economies and their companies' growth and performance, they voice many concerns over internal and external risk factors that could diminish their outlooks over the next few months.

Assessments of the business environment and capital markets

How do you regard the status of the North American, European, and Chinese economies? Three-quarters (75%) of CFOs rate the current North American economy as good or very good, with 3% rating it is bad. The percentage of those expecting better conditions in a year declined from 73% in 1Q21 to 62%—still a high percentage expecting improvement a year out. CFOs in T/M/E (88%) and Technology (69%) were the most positive about North America's future outlook. Of the industries expecting conditions to be worse a year out, Energy/Resources was highest (22%), followed by T/M/E (13%) and Retail/Wholesale (11%).

CFOs' assessments for Europe's economy improved, rising to 19% for current conditions and 46% for future conditions, both up from the prior quarter. Their perceptions of China's current economy increased from the prior quarter's 57% to 62%. CFOs dimmed their outlook for future conditions, however, from 64% in 1Q21 to 53%. See page 9 for more details.

What is your perception of the capital markets? Ninety-two percent of CFOs say debt financing is attractive, just above the 91% who considered it attractive in 1Q21. Equity financing's attractiveness rose to 56% overall—again slightly above the 55% who rated it as attractive in the prior quarter. Eighty-six percent of CFOs viewed US equity markets as overvalued, up from 83% in the prior quarter. The sentiment was generally consistent across industries, bookended by 74% of Technology CFOs viewing US equities as overvalued on one end and 94% of Financial Services CFOs on the other. See pages 10-11 for more details.

Company expectations

How do you expect your key operating metrics to change over the next 12 months? CFOs' year-over-year growth expectations rose across the board from last quarter:

- Revenue growth expectations increased from 8.5% in 1Q21 to 9.6%.
- Earnings growth expectations shifted from 12.8% in 1Q21 to 13.6%.
- Capital spending growth saw improvement from 10.2% in 1Q21 to 12.4%.
- Dividend growth inched up from 3.3% in 1Q21 to 4.0%.
- Domestic hiring rose from 2.7% in 1Q21 to 4.1%.
- Domestic wages/salaries increased from 3.1% in 1Q21 to 3.4%.

See page 15 for more details.

Compared to three months ago, how do you feel about your company's financial prospects? The optimism index rose from last quarter's +64 to +70, with 75% of CFOs expressing rising optimism, above 67% in 1Q21. CFOs in the Technology (92%) and Retail/Wholesale (88%) industries were the most positive. The lowest levels of optimism were reported by CFOs in the Energy/Resources (44%), Healthcare/Pharma (55%), and Financial Services (69%) industries. See page 14 for more details.

Is this a good time to be taking greater risks? Sixty-five percent of CFOs indicated now is a good time to be taking greater risks, slightly lower than last quarter's 66%. Across all industries, the proportion of CFOs saying this is a good time to be taking greater risks outweighed that who said it is not a good time. Technology (83%), Services (78%), and Manufacturing (70%) CFOs were more positive about risk-taking. Financial Services (45%), and Energy/Resources, Retail/Wholesale, and Healthcare/Pharma (all 44%) were the most opposed. See page 12 for more details.

What internal risk worries you the most? Talent ranks as CFOs' chief concern from a number of perspectives: retaining, recruiting, skills development, capacity, and availability. There was pronounced concern over employees' willingness to return work in the office and transitioning them back to work successfully—unique concerns in the wake of the pandemic.

Execution and growth, including keeping pace with demand, was another major internal risk many CFOs expressed. For some CFOs, that concern went hand in hand with concerns over their transformation initiatives and change management—the third most often cited internal risk, tying with return to work. Although less often cited, maintaining a company's culture, including in a hybrid work environment, appeared among CFOs' concerns as well.

What external risk worries you the most? Economic stability and inflation were cited most frequently by CFOs, and by more than one-third of the respondents. That was followed by concerns over changes in government policies, particularly with regard to taxation, trade, and to a lesser extent ESG pressures. A resurgence in COVID-19, the possibility of new variants, and their potential setback to plans to return to work also were among CFOs' top three broad concerns. That was followed by geopolitical events, including social unrest, and supply chain challenges—which are affecting nearly all industries amid the shortage of chips and other major components. Cybersecurity was the least-often mentioned external risk, but nonetheless, a critical concern.

See page 13 for more details and pages 31-32 for open-ended text responses.

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

CFOs are playing significant roles in companies' transformation efforts, and the transformations are demanding expanded support from finance. They also are helping to advance companies' goals* to increase diversity, equity, and inclusion, but indicate there is more work to be done.

Transformation amid the pandemic

What is the most important enterprise transformation your company is currently undertaking or plans to undertake? The responses of the 131** CFOs who answered this question fell into two broad categories: 1) technology/systems upgrades, mentioned by 40%, and 2) strategy/model/ offerings, indicated by 35% of CFOs. The next two most important enterprise transformations related to growth/integration/divestitures (25% of CFOs) and process efficiency/redesign (21%). Eleven percent mentioned people/organization transformation, and 9% indicated finance capability upgrades, mostly with respect to ERP implementations.

What are the primary drivers of the transformation? (Select the top-two drivers.**) CFOs reported changing customer demands (47%) and disruptive technologies (40%) as the top-two catalysts for companies' transformation. About one-fifth of CFOs (21%) cited investor demands for higher performance as a top-two driver, primarily in T/M/E, Energy/Resources, Financial Services, and Manufacturing. Another 14% indicated competitor actions, 12% industry convergence, and 7% the COVID-19 pandemic. Nearly one-quarter (24%) reported other reasons, including the desire to scale, meet carbon emission reduction targets, address supply availability, and be opportunistic. In one case, a change in leadership was a top-two driver for transformation.

What is your primary role as CFO in the transformation? For those CFOs whose companies are undertaking a transformation, 42% said their primary role is co-leader and 16% leader. Nineteen percent of CFOs cited serving as sponsor and enabler each, while 4% indicate other roles, such as serving as a monitor of the transformation's progress.

As a result of the transformation, what new/expanded services and capabilities will finance have to provide going forward? CFOs were most likely to indicate better support for decisions and operations, similar to when we surveyed CFOs on this topic in 1Q20. Nearly three-quarters (72%) of CFOs said their finance teams need to provide stronger decision support, while 31% indicated better operations support. Nearly one-quarter of CFOs (24%) noted finance is expected to be more efficient, and 16% said finance is being asked to provide better business knowledge.

See pages 16-19 for more details and pages 33-34 for open-ended text responses.

*Goals are not quotas.

** As some CFOs mentioned more than one transformation and others did not respond if their companies were not undertaking a transformation, percentages do not equal to 100%.

Diversity, equity, and inclusion (DEI)

How would you characterize your company's approach to diversity, equity, and inclusion? Nearly three-fourths (72%) of CFOs noted their companies have a formal DEI strategy, up from 67% when we asked a similar question in 1Q19, and 61% indicated their DEI practices are embedded in their talent brand, compared to 49% in 1Q19. In contrast, 30% of CFOs indicated companies' DEI practices are a substantial component of their customer brand/strategy—about the same as in 1Q19. Sixty percent of CFOs noted their companies have or plan to have a defined budget for DEI in the next year. Nearly half (48%) said their companies report out on DEI representation metrics to investors and other stakeholders, and 50% noted DEI goals* are linked to performance evaluations.

How many people report directly to you—by non-minority and minority, and how many direct reports will likely be CFO-ready within three years? Men continue to dominate the ranks of CFOs' direct reports; however, the average number of women direct reports has increased since 1Q19, from 2.38 to 4.09. The average number of minorities among CFOs' direct report rose as well, from 1.05 to 2.85. Regarding CFO-readiness within three years, an average of .89 of minority direct reports will be ready, compared to an average of 2.09 non-minority direct reports. The average number of women who will be CFO-ready in three years grew from .40 in 1Q19 to 1.23.

What is the one thing *your company* plans to do to make the greatest impact on advancing DEI? Many companies not only intend to take steps to advance DEI, but have implemented plans and policies, and others have recruited executives to develop and execute their DEI strategy. Others are creating scorecards, and some are linking compensation and incentives to those goals*. CFOs' responses also denoted the importance of communications, education, and advocacy—for leadership, as well as staff. A few CFOs indicated their companies are advocating for social justice, funding social equity programs, and supporting historically Black colleges and universities.

What is the one thing *you* plan to do to make the greatest impact on advancing DEI? CFOs' responses centered on strengthening recruiting, hiring, and development practices to diversify their teams, and the broader organization in some cases. Some CFOs are expanding their involvement in interviews, not only for direct report positions but others, including at the regional levels. Others are requiring both a diverse slate of candidates *and* a diverse slate of interviewers. Setting goals* and metrics was the next most-often cited tactic. Several CFOs mentioned taking a greater leadership role and modeling inclusive leadership.

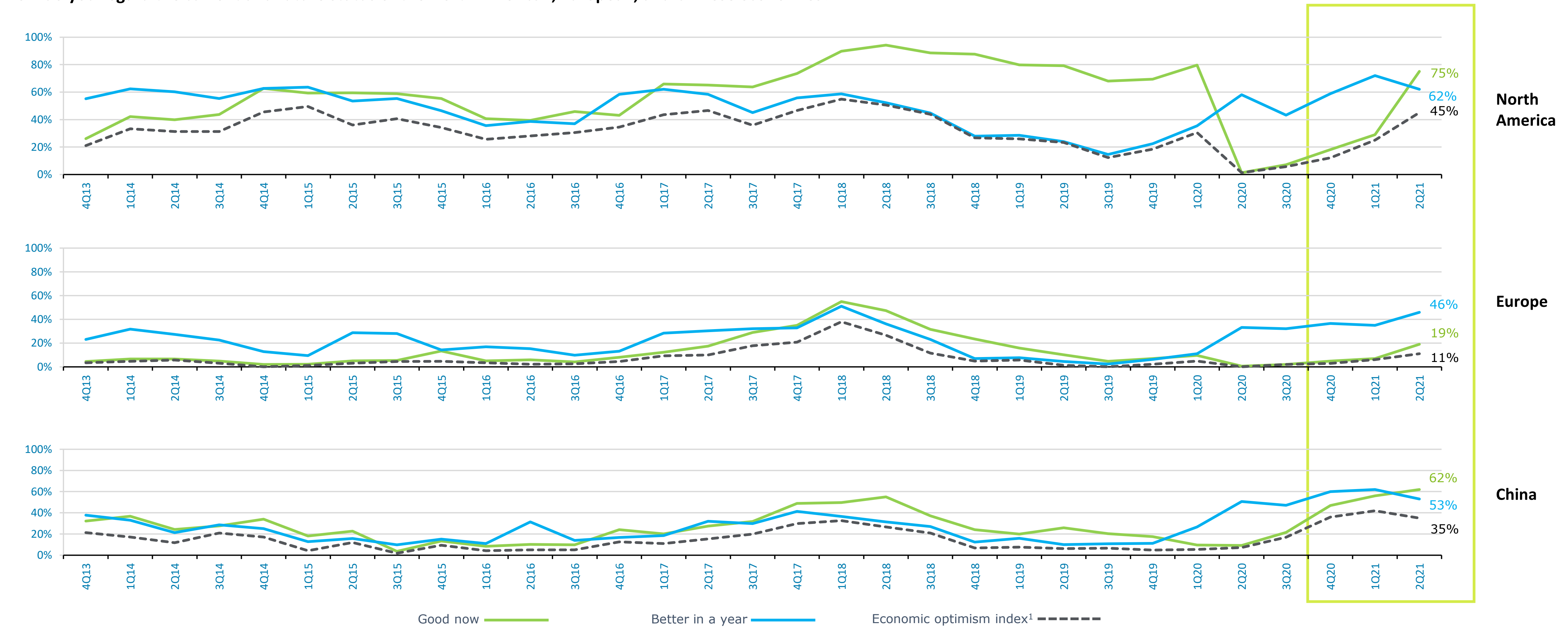
See pages 20-23 for more details and pages 35-36 for open-ended text responses.

ASSESSMENTS OF REGIONAL ECONOMIES

CFOs’ views of North America’s current economy approach 2Q19 and 1Q20 levels, while their outlook for the region a year ahead diminished from 1Q21.

- **North America:** Three-quarters of CFOs cite current economic conditions as good, a jump from the prior quarter’s 29%. Their outlook for the economy’s future declined from 73% in 1Q21 to 62%.
- **Europe:** The percentage of CFOs viewing Europe’s current conditions as good rose from 7% in 1Q21 to 19%, while the percentage expecting improved conditions in a year increased from 36% to 46%.
- **China:** 62% of CFOs see current conditions as good, up from 57% in 1Q21. Compared to the prior quarter, a smaller percentage of CFOs (53%) expect conditions will be better in a year, down from 64%.

How do you regard the current and future status of the North American, European, and Chinese economies?



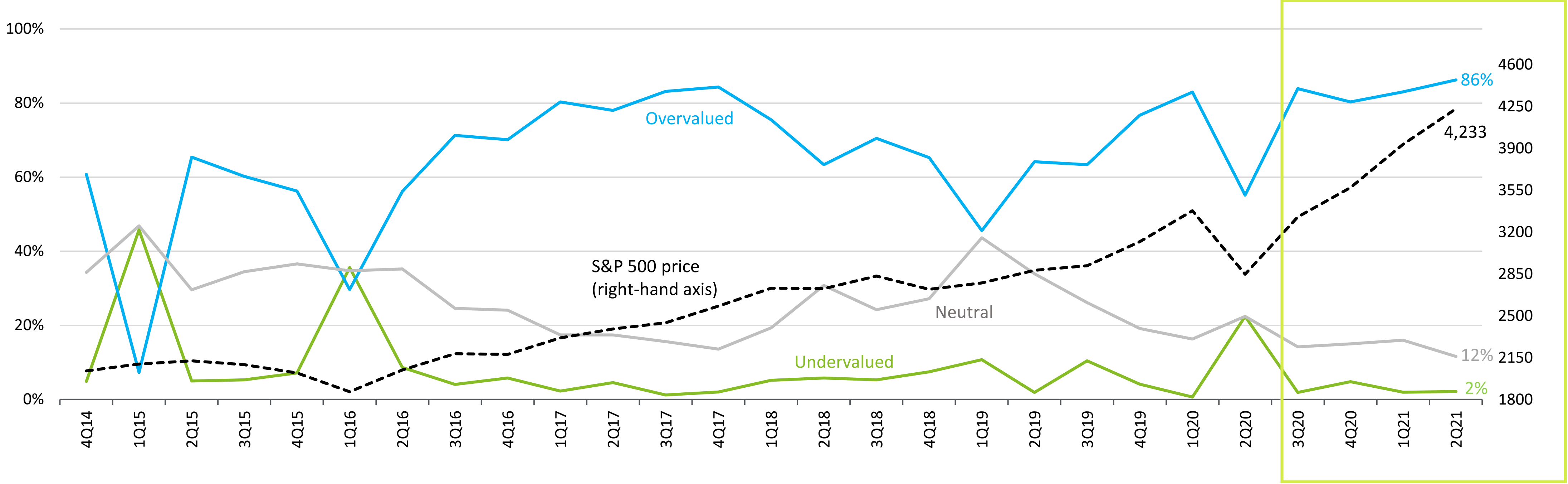
 ¹ Indexes reflect the percentage of respondents who rate current economic conditions as “good” or “very good” and who also expect “better” or “much better” conditions in a year.

The percentage of CFOs who consider US equities overvalued hits a survey high.

- Eighty-six percent of the 138 CFOs participating in this quarter's survey regard the US equity markets as overvalued. This is an increase from 83% in 1Q21.
- Two percent of CFOs indicated they view US equities as undervalued. By industry, Technology (8%), Services (6%), and Manufacturing (3%) were the only ones to regard US equities as undervalued.
- At the time our 1Q21 survey closed on February 19, 2021, the S&P 500 stood at 3935 and moved to 4233 by the time the 2Q21 survey closed on May 14, 2021.
- The perceptions of US equities being overvalued is likely a factor in the concerns many CFOs raised over economic stability and the potential for inflation.

How do you regard US equity market valuations?

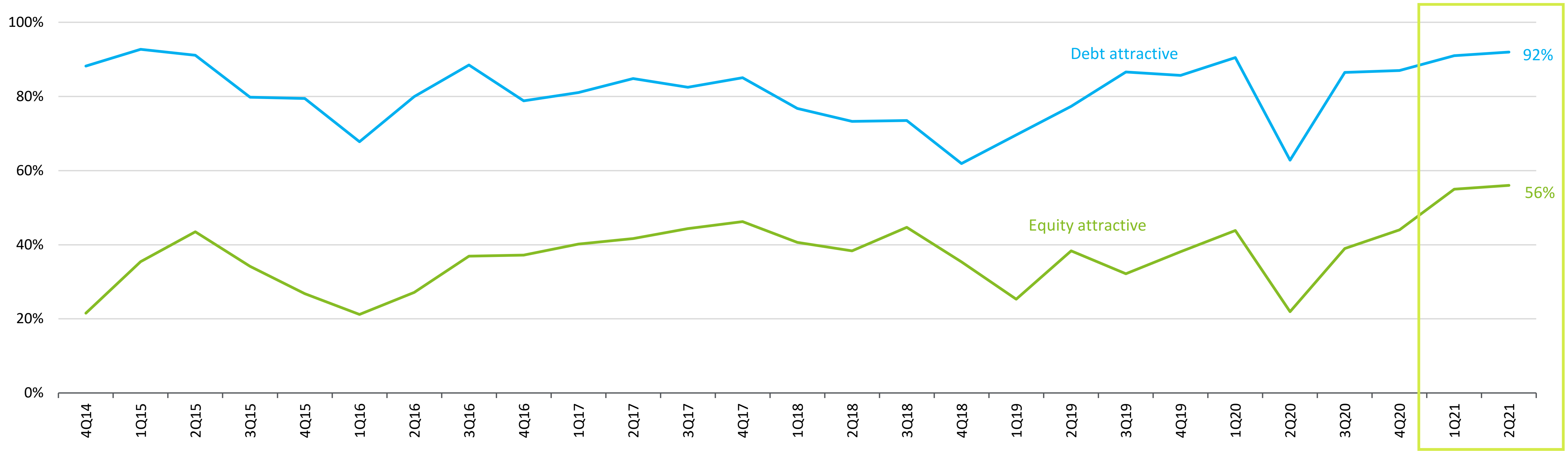
Percent of CFOs saying markets are overvalued, undervalued, or neither (responses are compared to S&P 500 at survey midpoint)



Both debt and equity financing retain their attractiveness among CFOs; however, equity is viewed as comparatively less attractive.

- With ongoing low interest rates (the US Fed has held the target rate range at 0%-0.25% as of April 28, 2021), debt attractiveness held steady at 92%, just above 1Q21. The breakdown between public and private companies was 71% and 29%, respectively.
- CFOs' views on equity financing's attractiveness moved up slightly, from 55% in 1Q21 to 56%. Among public companies, 77% of CFOs regard equity financing as attractive, and among private companies 23% see it as attractive.
- Whether regarding debt or equity financing, there was little variation across 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

CFOs' appetite for taking greater risk at this time declines from 1Q21, yet it remains relatively strong.

- The percentage of CFOs saying now is a good time to be taking greater risk dipped slightly from 66% in 1Q21 to 65% in 2Q21. Nevertheless, the percentage hovers just slightly under a high point of 69% in 1Q18. The 65% of CFOs who say now is good time to be taking greater risk far exceeds the 27% of CFOs who said so in 2Q20.
- CFOs in the Technology, Services, and Manufacturing industries indicated the strongest appetite for risk taking, with 83%, 78%, and 70%, respectively, saying this is a good time to be taking greater risk.
- The 35% of CFOs who say now is not a good time to be taking greater risk might reflect some cautiousness toward the ability to resume pre-pandemic levels of operations, as well as concerns over the possibility of inflation, which was often cited by CFOs as a worrisome risk this quarter.
- Among CFOs who said this is not a good time to be taking greater risk, those in Financial Services (45%) and in Energy/Resources, Retail/Wholesale, and Healthcare/Pharma (all 44%) were the most opposed.

Risk appetite: Is this a good time to be taking greater risk? (N=136)
Percent of CFOs saying it is a good time to be taking greater risk

ASSESSMENTS OF MARKETS AND RISK: MOST WORRISOME INTERNAL AND EXTERNAL RISKS

Talent remains at the top for CFOs' most worrisome internal risk; meanwhile, economic stability and the potential for inflation rank high as a top external risk.

- **Most worrisome internal risk? In a word, talent.** Amid the improving economy and many companies' plans to reopen offices and expand operations, CFOs expressed concerns over changes in employees' preferences for workplace and work style. They also report concerns over recruiting, retaining, and developing talent, as well as capacity and labor shortages.
- **Most worrisome external risk? Economic stability, inflation, and potential changes in government policies.** As the economy heats up and Congress debates the Administration's infrastructure plan, CFOs most frequently cite concerns over fiscal and government policies. COVID-19, geopolitical events, and supply chain challenges were also frequently mentioned.

Which internal risk worries you most? (Key themes and sample responses) N=134
(Numbers in parentheses do not total to "N" because some CFOs cited more than one risk.)

Talent & skills (69): *Acquiring/retaining talent; ability to develop key talent; succession management; wave of departures as market heats up; burnout; complacency; ability to hire, train, and on-board to meet growth needs; losing good talent now that market is healthier; recruiting qualified workforce*

Execution & growth (22): *Inability to focus and execute given the abundance of opportunities and initiatives; inability to drive growth; project execution; challenges reacting to a more competitive environment; prioritization; reactions to the overheated market; international borders not opening*

Return to work (14): *Work from home fatigue; people returning to the workforce with focus; getting employees back to the office; reintegration related to reopening of offices; employees' resistance to returning to the office*

Transformation & change management (15): *Transformation execution and speed; pace of innovation and technology change; lack of innovation; resistance to change; ability to adapt quickly to permanent changes due to COVID-19; maintaining innovative edge and culture of constructive improvements*

Operations & inefficiencies (11): *Product development; supply chains; increased demand; total addressable market; operational complexities; regulatory demands; cost cuts*

Company culture (9): *Lack of common direction; employee buy-in; leadership; culture change as a result of new work environments post-quarantine; cultural changes due to hybrid work environments*

Capital & liquidity (6): *Revenue growth; capital project execution and related risk; credit exposure; capital allocation; appropriate investing in an overheated market*

Which external risk worries you most? (Key themes and sample responses) N=137
(Numbers in parentheses do not total to "N" because some CFOs cited more than one risk.)

Economic stability & inflation (58): *Inflation acceleration and its impact on the economy; shift away from fundamentals; competitive pressures; sustainability of growth; unemployment; US debt; market risks; social unrest; overheated economy; major economic disruption or derailment; collapse of equity markets; capital flows in sector increasing competition for acquisitions; continued low rates*

Government policies (42): *Tax reform and policies; unpredictable government regulations and political interference; ESG/climate; trade policies; governmental budgets; government incentives causing people to exit the workforce*

COVID-19 impact (24): *Ability to react to a new wave of COVID-19 or other virus variants; pandemic impact and healthcare reform; global pandemic recovery; other countries not effectively dealing with pandemic; recovery out of the pandemic*

Geopolitical events (19): *US-China relations; political impact on businesses; continued restrictions on international boarders; US political stability; ability of many foreign customers to issue payments in US dollars*

Supply chains (17): *Supply chain availability in stimulated market; supply/demand issues due to pandemic and winter storms in US; supply demand/shortages; global supply constraints; supplier risks and infrastructure buildouts; global logistic concerns*

Cybersecurity (9): *Cyber attacks and ability to react; information security*

Labor (6): *Human capital; labor stimulus impacting willingness to work; labor market inflation; employee classification; labor pressures; and regulatory changes*

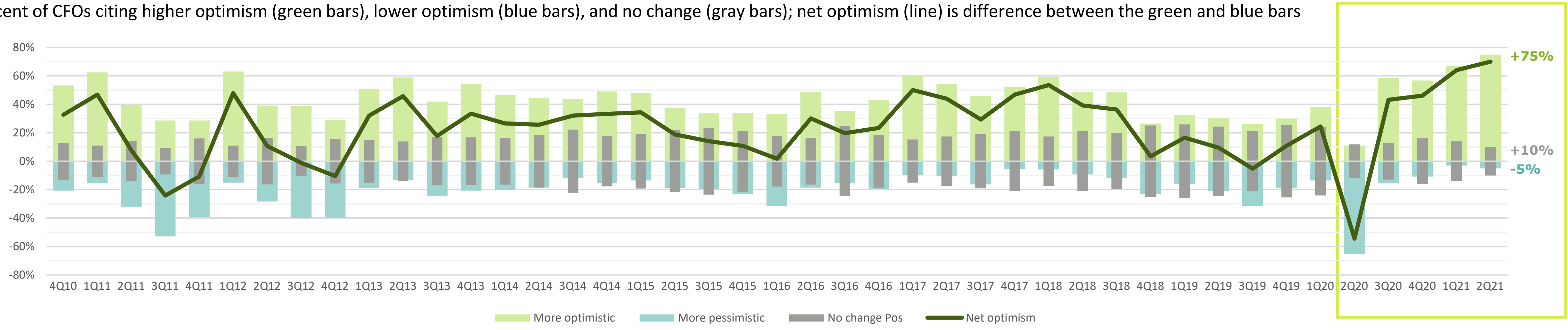
EXPECTATIONS FOR OWN COMPANY'S FINANCIAL PROSPECTS

For the fourth quarter in a row, CFOs overall express greater optimism for their companies' financial prospects.

- Three-quarters of CFOs say they are more optimistic about their companies' prospects now than they were three months ago—an increase from 67% in the prior quarter.
- This quarter's net optimism rose to +70, as just 5% indicated declining optimism against the 75% of CFOs who expressed rising optimism.
- Net optimism among US CFOs increased from 1Q21's +64 to +74 this quarter. For Canada's CFOs, net optimism declined from +70 last quarter to +50, while the net optimism of Mexico's CFOs dropped from +50 to +40. *Note:* Participation from both countries was 9% and 3%, respectively, so the sample base was much smaller than for the US.
- CFOs in several industries indicated high levels of net optimism, particularly Technology (+92), Retail/Wholesale (+89), Manufacturing and T/M/E (both +75), Services (+72), and Financial Services (+66). Energy/Resources, and Healthcare/Pharma CFOs were the least optimistic at +33 and +44, respectively.

Compared to three months ago, how do you feel now about the financial prospects for your company? N=138

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

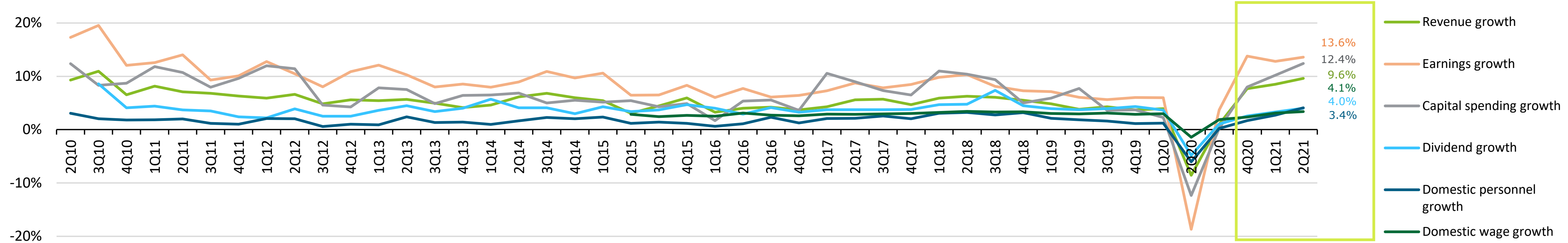
Total	US	Mexico	Canada	Manufacturing	Retail/ Wholesale	Technology	Energy/ Resources	Financial Services	Healthcare/ Pharma	T/M/E	Services
+70%	+74%	+40%	+50%	+75%	+89%	+92%	+33%	+66%	+44%	+75%	+72%

EXPECTATIONS FOR GROWTH IN KEY METRICS, YEAR OVER YEAR

CFOs increase their growth expectations across key metrics amid greater optimism for regional economies overall and their companies' performance.

- **Revenue growth** increased from 8.5% in 1Q21 to 9.6%. CFOs in Retail/Wholesale (16.9%), Manufacturing (11.6%), Technology (9.5%), and Services (9.1%) reported the highest expectations, while Healthcare/Pharma noted the lowest level of growth at 6.1%, likely due to the demands and challenges created by the COVID-19 pandemic for the industry.
- **Earnings growth** rose from 12.8% in 1Q21 to 13.6%. The highest expectations for revenue growth were reported by Retail/Wholesale (28.3%), Manufacturing (17.1), and Services (16.1%).
- **Capital spending growth** saw improvement from 10.2% in 1Q21 to 12.4%. CFOs in Services (22.2%), Retail/Wholesale (15%), and Manufacturing (13.5%) indicated the highest expectations for spending.
- **Dividend growth** inched up from 3.3% in 1Q21 to 4.0%. Industries expecting the greatest growth in dividends were Healthcare/Pharma (7.5%), Energy/Resources (5.7%), and Services (5.6%).
- **Domestic hiring** rose from 2.7% in 1Q21 to 4.1%. Retail/Wholesale (8.6%), Technology (5.2%), and Services (4.8%) indicated the strongest growth expectations for domestic hiring.
- **Domestic wages/salaries** increased from 3.1% in 1Q21 to 3.4%. CFOs in Retail/Wholesale (4.8%), Services (4%), and Healthcare/Pharma (3.7%) noted the highest growth expectations for this metric.
- See chart further below for other industry results.

Performance and investment expectations
Compared to the past 12 months, how do you expect key metrics to change over the next 12 months? CFOs' expected year-over-year company growth? N=138



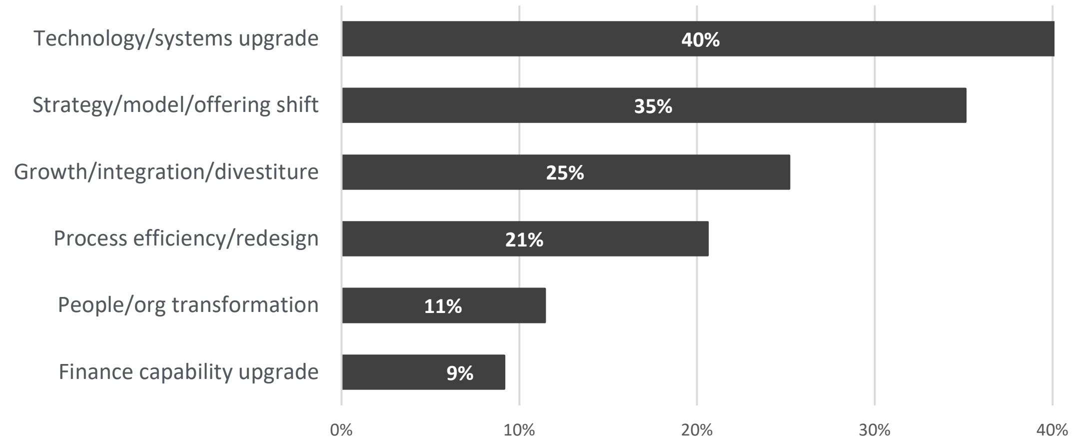
Expectations by country and industry

	Total	US	Mexico	Canada	Manuf.	Retail/ Wholesale	Technology	Energy/ Resources	Financial Services	Healthcare/ Pharma	T/M/E	Services
Revenue	**9.6%**	9.6%	8.6%	10.0%	11.6%	16.9%	9.5%	7.3%	7.3%	6.1%	7.9%	9.1%
Earnings	**13.6%**	14.3%	11.4%	8.3%	17.1%	28.3%	11.3%	10.1%	8.7%	5.8%	11.5%	16.1%
Capital spending	**12.4%**	11.6%	19.5%	16.9%	13.5%	15.0%	9.4%	9.4%	9.2%	9.0%	6.9%	22.2%
Dividends	**4.0%**	3.9%	4.0%	4.9%	4.4%	3.1%	1.4%	5.7%	3.3%	7.5%	1.1%	5.6%
Domestic hiring	**4.1%**	4.2%	3.0%	4.2%	4.0%	8.6%	5.2%	3.7%	3.0%	4.0%	1.0%	4.8%
Domestic wages	**3.4%**	3.5%	3.6%	2.7%	3.4%	4.8%	3.6%	2.9%	2.9%	3.7%	2.7%	4.0%

Technology/systems upgrades and shifts in strategy, model, and offerings rank as companies' top-two most important enterprise transformations.

- The responses of the 131 CFOs who answered this question fell into six broad categories as depicted in the chart below. Digital transformation cut across most categories and was mentioned 15 times. *Note:* Not all organizations are undertaking a transformation, likely given other major challenges they are facing, such as supply chain shortages and returning operations to pre-pandemic levels.
- Technology/systems upgrades were mentioned by 40% of CFOs, and most likely are part of other transformations cited, particularly those involving integration and finance capability upgrades.
- Transformations pertaining to shifts in strategy, model (business, go-to-market, and other types), and offerings were indicated by 35% of CFOs.
- Transformations focused on growth/integration/divestiture were the third most-cited (25%), followed by process efficiency/redesign (21%).
- Eleven percent mentioned people/organization transformation and, in some cases, with respect to return to work, respondents cited future of work, building an agile workforce through training in agile methods, and shifting to a performance-based culture that connects people's objectives with strategy.
- Nine percent of CFOs indicated finance capability upgrade, mostly in connection with ERP implementations.

What is the most important enterprise transformation your company is undertaking or plans to undertake? Percent of CFOs selecting each transformation type (N=131)*



*131 (95%) of 138 respondents answered. Numbers in parentheses sum to more than "N" because some respondents named more than one transformation type.

Sample comments for each type of enterprise transformation mentioned

Technology/systems upgrade (53)
Migrate all IT into the cloud; fully leveraging automation opportunities; technology infrastructure modernization; IT and investing in the future

Strategy/model/offering shift (46)
Moving to a consumption revenue model; penetrating adjacent and emerging markets; digitalization and investment in sustainability; reorienting our assets and investments to facilitate the decarbonization of our economy developing omni channel; advanced manufacturing transformation; go-to-market investments

Growth/integration/divestiture (33)
Recapitalizing for growth in new areas; reallocation of resources to ensure growth; shedding unprofitable assets; reaccelerating external growth initiatives; looking for under-valued situations; portfolio rationalization

Process efficiency/redesign (27)
End-to-end process transformation from customer interface to administrative procedure; supply chain optimization; technology-enabled process improvement; 40% reduction in total CO2e emissions by 2035 and net zero total CO2e emissions by 2050; retaining COVID-19 driven efficiencies

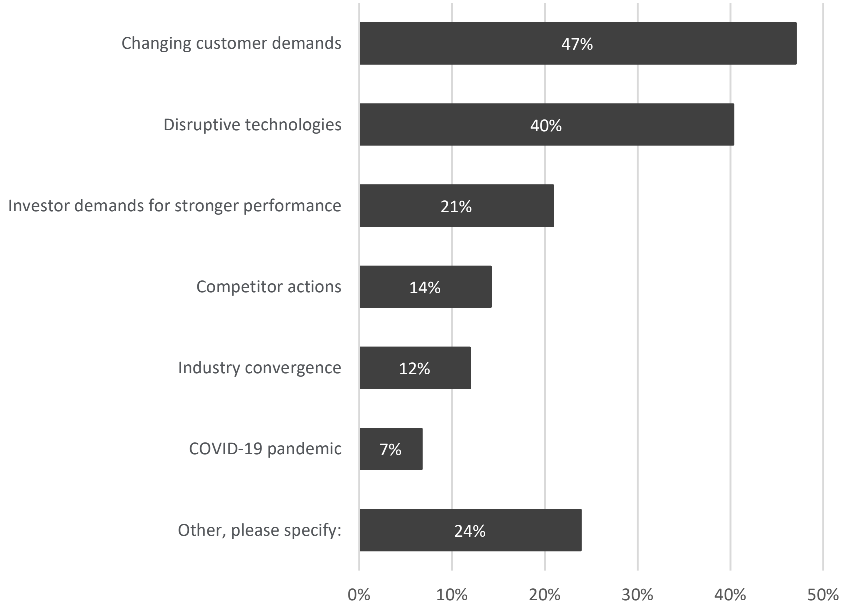
People/org transformation (15)
Reallocation of resources to ensure growth; training our people on agile methods like design thinking; shift to performance-based culture to ensure benefit realization from internal investments; relocating headquarters

Finance capability upgrade (12)
Finance transformation; ERP implementation; data analytics to aid in operations and research

Changing customer demands and disruptive technologies are the two leading reasons why CFOs' organizations are undertaking a transformation.

- **Changing customer demands** was a top-two transformation driver for 47% of CFOs, particularly for Retail/Wholesale (63%), Technology (62%), and Energy/Resources (56%) industries. This driver was most prevalent in technology/systems upgrades and strategy/model/offering shifts.
- **Disruptive technologies** was named by 40% of CFOs overall and by 56% of CFOs in Services, 49% in Manufacturing, and 38% each in Healthcare/Pharma, Retail/Wholesale, T/M/E, and Technology.
- **Investor demands for stronger performance** was among the top-two transformation drivers for T/M/E (50%), Energy/Resources (44%), and Financial Services and Manufacturing (23% each).
- **Competitor actions** was a top-two driver of transformations for 14% overall, for 38% of Healthcare/Pharma companies, and 25% each for Retail/Wholesale and T/M/E.
- **Industry convergence and the COVID-19 pandemic** were cited as a top-two driver by 12% and 7% of CFOs, respectively. The pandemic as a driver had a high correlation to transformations for growth/integration/divestiture (78%) and to a lesser extent to industry convergence (38%) and investor demands for stronger performance (36%).
- **Other drivers** cited included changing societal demands, efficiency to support growth, the desire to be opportunistic, supply availability, integration of acquisitions, achieving scale, positioning the company for the next phase of differentiated performance, new leadership, consolidation of aging systems, continuous improvement, cost of running the business, cyberthreats, and lack of good data.

What are the primary drivers of the transformation? Percent of CFOs selecting each driver in their top two (N=134)*



*134 (97%) of 138 respondents answered.

Crosstab: Drivers by industry Percent of CFOs selecting each driver in their top two selections by industry

	Energy/ Resources	Financial Services	Healthcare/ Pharma	Manufacturing	Retail/ Wholesale	Services	Technology	Tel/ Med/ Ent
Changing customer demands	56%	39%	50%	46%	63%	44%	62%	38%
Disruptive technologies	22%	29%	38%	49%	38%	56%	38%	38%
Investor demands for stronger performance	44%	23%	13%	23%	13%	11%	0%	50%
Competitor actions	11%	13%	38%	13%	25%	6%	8%	25%
Industry convergence	11%	19%	13%	8%	13%	0%	15%	25%
COVID-19 pandemic	0%	0%	25%	10%	13%	0%	15%	0%
Other	33%	32%	25%	21%	13%	39%	8%	0%
Sample by industry (N)	*9*	*31*	*8*	*39*	*8*	*18*	*13*	*8*

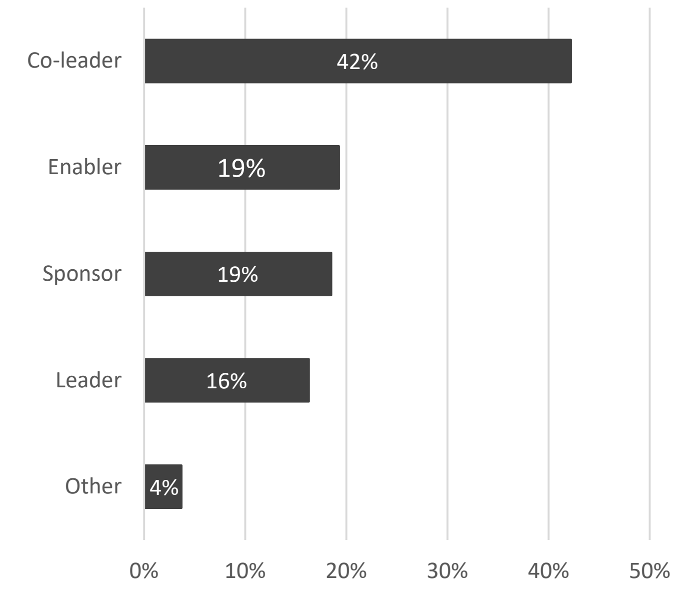
Crosstab: Drivers behind each transformation type For each type of business transformation (row), the percent of CFOs selecting each of their top two primary transformation drivers (column)

	Changing customer demands	Disruptive technologies	Investor demands for stronger performance	Competitor actions	Industry convergence	COVID-19 pandemic	Other	*Number of CFOs who mentioned transformation type*
Technology/systems upgrade	44%	54%	29%	47%	13%	11%	38%	*53*
Strategy/model/offering shift	40%	50%	18%	42%	31%	11%	19%	*46*
Growth/integration/divestiture	14%	19%	36%	32%	38%	78%	25%	*33*
Process efficiency/redesign	25%	17%	32%	32%	13%	0%	13%	*27*
People/org transformation	10%	4%	14%	11%	25%	22%	13%	*15*
Finance capability upgrade	8%	4%	11%	5%	6%	0%	19%	*12*
Number of CFOs who selected driver in top two	*63*	*54*	*28*	*19*	*16*	*9*	*32*	

As companies pursue transformations, CFOs are playing a leadership role, particularly with respect to growth/integration/divestitures. They also enable and sponsor transformations, notably in the areas of technology/systems upgrades and strategy/model/offering shifts.

- CFOs noted their primary role in their companies' most important transformation efforts is serving as co-leader (42%), enabler (19%), sponsor (19%), or leader (16%). Another 4% cite roles such as ensuring affordability, accountability, and realization of expected benefits, as well as facilitating and monitoring transformation efforts.
- CFOs said they are a transformation leader (50%) or co-leader (21%) in growth/integration/divestiture efforts. For technology/systems upgrades, 36% of CFOs said they are a leader and 30% co-leader.
- CFOs reported being an enabler for technology/systems upgrades (50%), strategy/model/offering shifts (35%), process efficiency/redesign (27%), and growth/integration/divestitures (23%).
- As sponsors of a transformation, CFOs were most likely to play this role with respect to technology/systems upgrades (56%), strategy/model/offering shifts (48%), and process efficiency/redesign (20%).
- CFOs in Manufacturing (23%) and Financial Services (20%) were more likely to lead a transformation than those from other industries.
- Fifty percent or more of CFOs from Retail/Wholesale, Services, Technology, Healthcare/Pharma, and T/M/E said they co-lead transformations, followed by 44% of Energy/Resources CFOs.

What is your primary role as CFO in the transformation? Percent of CFOs selecting each role (N=135)*



*135 (98%) of 138 respondents answered.

Crosstab: Drivers by each industry Percent of CFOs selecting each role by each Industry.

	Energy/ Resources	Financial Services	Healthcare/ Pharma	Manufacturing	Retail/ Wholesale	Services	Technology	Tel/ Med/ Ent
Co-leader	44%	23%	50%	40%	56%	56%	54%	50%
Enabler	33%	33%	13%	15%	11%	17%	8%	13%
Sponsor	22%	13%	25%	20%	22%	17%	15%	25%
Leader	0%	20%	13%	23%	11%	11%	15%	13%
Other	0%	10%	0%	3%	0%	0%	8%	0%
Sample by industry (N)	*9*	*30*	*8*	*40*	*9*	*18*	*13*	*8*

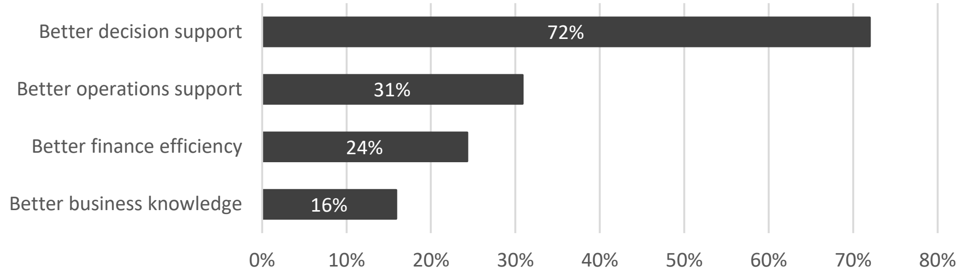
Crosstab: CFO roles for each transformation type For each type of business transformation (row), the percent of CFOs selecting each role (column)

	Co-leader	Enabler	Sponsor	Leader	Other	*Number of CFOs who mentioned transformation type*
Technology/systems upgrade	30%	50%	56%	36%	20%	*53*
Strategy/model/offering shift	35%	35%	48%	14%	40%	*46*
Growth/integration/divestiture	21%	23%	8%	50%	40%	*33*
Process efficiency/redesign	18%	27%	20%	18%	20%	*27*
People/org transformation	18%	4%	4%	14%	0%	*15*
Finance capability upgrade	7%	8%	8%	18%	0%	*12*
Number of CFOs who selected each role	*57*	*26*	*25*	*22*	*5*	

In addition to predictive analysis, scenario planning, and other inputs for transformation decisions, CFOs report finance is expected to track, monitor, and report on results. Finance also is being asked to provide input for new business models, as well as increase its own efficiency so more resources can be allocated to the transformation itself.

- When asked to identify their companies' most important enterprise transformations and the impact on finance, CFOs were most likely to indicate the need for better support for decisions and operations—similar to our 1Q20 survey.
- Nearly three-quarters (72%) of CFOs said their finance teams need to provide stronger decision support, which aligned most with transformations focused on technology/systems upgrades and strategy/model/offering shifts. Nearly one-quarter of CFOs (24%) noted finance is expected to be more efficient, and 16% said finance is being asked to provide better business knowledge.
- The need for both better operations support and better business knowledge tied most closely to transformations for strategy/model/offering shifts, technology/systems upgrades, and growth/integration/divestitures.

As a result of the transformation, what new/expanded services and capabilities will finance have to provide going forward? Numbers in parentheses indicate counts of CFOs who mentioned each type of transformation and do not total to "N" because some CFOs chose more than one finance implication (N=107).



Crosstab: Finance implications for each transformation type

For each type of transformation (row), the percent of CFOs selecting each implication (column).

	Better decision support	Better operations support	Better finance efficiency	Better business knowledge	*Number of CFOs who mentioned transformation type*
Technology/systems upgrade	44%	33%	50%	35%	*53*
Strategy/model/offering shift	31%	39%	42%	24%	*46*
Growth/integration/divestiture	23%	33%	19%	35%	*33*
Process efficiency/redesign	21%	18%	19%	18%	*27*
People/org transformation	12%	9%	4%	12%	*15*
Finance capability upgrade	14%	6%	19%	12%	*12*
Number of CFOs who selected each implication	*77*	*33*	*26*	*17*	

Sample comments

Better decision support (77)

More centralized FP&A support and more consistent approaches to investment decisions; financing rapid growth in a mindful way; timely business insights; stronger focus on BI/AI and analytics; planning and analysis of impacts; real-time data analytics; cash-flow analysis; project prioritization; better projections that will benefit working capital; more agile in terms of supporting good business decisions

Better operations support (33)

Assessment of ability to execute on key projects; support for expanded infrastructure; information by channel versus historical geographies; expanded geographic footprint and additional execution capabilities; more rigor around price-setting; easier expansion into new markets; growth support and integration; total cost of ownership on technology; more granular insights on profitability; end-to-end product traceability

Better finance efficiency (26)

Get more done with less resources; more reliance on AI, data, and digital solutions to free up time to concentrate less on reporting and more on piloting the business; more nimble FP&A with less resources; more efficient financial reporting; a combination of internal and external third-party services to support transactional and scalable work like management reporting, research, etc.

Better business knowledge (17)

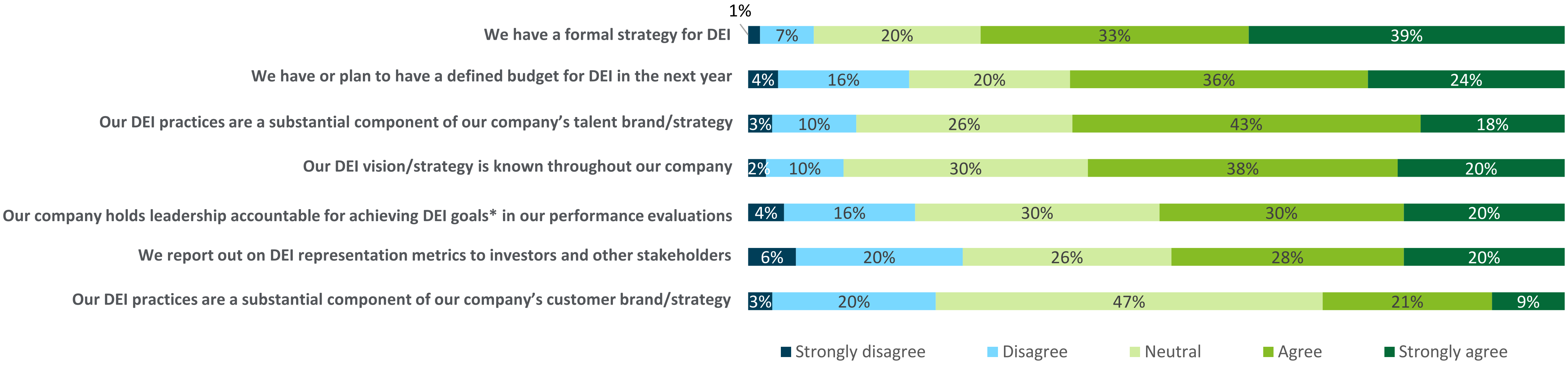
Assessing and determining long-range business model; greater granularity into business drivers and performance; adapt business models and reporting; advice on new business models with focus on compliance and taxes; improve connectivity of OKRs to KPIs and recurring management reporting

SPECIAL TOPIC: DIVERSITY, EQUITY, AND INCLUSION - COMPANY APPROACHES

Organizations' approaches to diversity, equity, and inclusion indicate significant work done to date, but there is room for further action. Results show some progress since 1Q19 when we asked a similar set of questions.

- Nearly three-fourths (72%) of CFOs noted their companies have a formal DEI strategy, up from 67% when we asked a similar question in 1Q19. *Note*: The reference to "equity" was not part of the question set at that time.
- More than half (58%) of CFOs indicated their companies' DEI vision/strategy is known throughout the enterprise, a slight uptick from 53% in 1Q19.
- Sixty-one percent of CFOs indicated that their DEI practices are embedded in their talent brand, compared to 49% in 1Q19.
- Thirty percent of CFOs indicated their companies' DEI practices are a substantial component of their customer brand/strategy—slightly below the 31% of CFOs who said the same in 1Q19.
- In this quarter's survey, we also asked CFOs about funding DEI, reporting DEI metrics to investors, and holding leadership accountable for DEI goals* in performance evaluations.
  - Sixty percent of CFOs reported their companies have or plan to have a defined budget for DEI in the next year.
  - Nearly half of CFOs (48%) said their companies report out on DEI representation metrics to investors and other stakeholders.
  - Moreover, 50% of CFOs noted their companies hold leadership accountable for achieving DEI goals* in performance evaluations.

How would you characterize your company's approach to diversity, equity, and inclusion (DEI)? Percent of CFOs selecting each level of disagreement/agreement for each statement.



*Goals are not quotas.

CFOs indicate an increase in the number of minority direct reports compared to the 1Q19 survey, but not as much headway in the number of minority direct reports who will be CFO-ready in three years.

- A comparison of the results of this quarter's survey on the breakdown of CFOs' direct reports by non-minority and minority groups with the 1Q19 survey reveals an increase in the average number of minorities from 1.05 to 2.85.
- In comparing the two surveys' results by women only, there also is an increase—from an average of 2.38 in 1Q19 to an average of 4.09 in this quarter's survey. Still, men continue to outnumber women and transgender and nonbinary individuals within CFOs' direct report ranks. *Note:* We did not ask about transgender or nonbinary direct reports in previous surveys.
- When looking at the number of direct reports who will be CFO-ready within three years, an average of .89 of minority direct reports will be ready, compared to an average of 2.09 non-minority direct reports. Both averages reflect an increase from the 1Q19 report, when an average of .20 minority direct reports and 1.26 non-minority direct reports were considered CFO-ready in three years.
- In comparing this survey's results against 1Q19 on the number of women who would be CFO-ready in three years, there is an increase from an average of .40 to an average of 1.23. That compares to an average of 1.66 for men in this quarter's survey, which is up from 1.06 in 1Q19.
- The average number of transgender or nonbinary individuals who will be CFO-ready in three years is .09. As we did not ask about transgender or nonbinary direct reports in the 1Q19 survey, we cannot draw any comparisons.

Composition of direct reports: **How many people report directly to you?**
Breakdown of direct reports by group*

Number of direct reports by non-minority and minority groups

	Men *Total:* 5.92	Women *Total:* 4.09	Transgender or Nonbinary *Total:* 0.05
Non-minority *Total:* 7.21	4.49	2.67	0.05
Minority** *Total:* 2.85	1.43	1.42	0.00

Total = 10.06

CFO-readiness of direct reports: How many of your direct reports will be CFO-ready within three years?
Breakdown by group of number/percent of direct reports considered CFO-ready

Number of CFO-ready direct reports
(and percentage regarded as CFO -ready within three years)***

	Men *Total:* 1.66	Women *Total:* 1.23	Transgender or Nonbinary *Total:* 0.09
Non-minority *Total:* 2.09	1.20 (24%)	0.80 (30%)	0.09 (100%)
Minority** *Total:* 0.89	0.46 (31%)	0.43 (29%)	0.00 (0%)

Total = 2.98

* Stark outliers to the high side have not been included in these charts.
** For survey purposes, "minority" includes Black or African American, Asian, Hispanic/Latinx, American Indian and Alaska Native, Native Hawaiian and Other Pacific Islander, and two or more races.
*** Percentages are calculated only for responses that included both the total number of direct reports and the number of CFO-ready reports.

CFOs cite a range of actions their companies are taking to advance DEI, mostly with respect to recruiting and hiring, followed by setting goals*, establishing metrics, and developing reporting mechanisms to instill accountability.

- Establishing formal DEI strategies and programs, and designating leaders and committees were cited by several CFOs as steps their companies are taking to foster DEI.
- Setting specific and hard objectives for diversity in executive roles, and establishing metrics for salaried positions were mentioned by several CFOs. One CFO's company went so far as committing to gender parity and population-neutral ethnic diversity by 2027.
- Several CFOs reported that leadership is being held accountable for DEI goals*, including linking achievement to compensation, bonus plans, and other incentives.
- Building awareness, providing DEI education—including for leadership—and making communications on DEI matters a priority were also mentioned frequently among the actions companies are taking to advance DEI.

What is the one thing your company plans to do to make the greatest impact on advancing DEI? (N=105)**

Recruiting & hiring (44): *Improve recruiting process; ensure a diverse slate hiring; evaluate hiring practices to commit to expanding women and minorities throughout the organization; build sourcing mechanisms for diverse talent; make leadership explicitly accountable for hiring and promoting diverse candidates; ensure a strong diverse talent pipeline is in place across all levels and it is tracked and measured; build diversity from the ground up with entry-level hiring coupled with programs to ensure retention and opportunity; make process changes in hiring; continue to recruit and develop diverse talent*

Goals*, metrics, & reporting (30): *Set goals* specific to building DEI with respect to women and salaried headcount; hold people accountable for progress with results tied to incentives; include DEI metrics in our bonus plans; establish metrics for diversity in hiring; set gender and race hiring goals* for which the leadership team is accountable; expand the candidate pool and measure results; institute representation goals*; establish firm objectives for increasing representation of women and Black/African Americans*

Communications, education, & advocacy (26): *Invest in education; awareness and further training; continued focus and communication; review of systemic issues hidden in policies, procedures, and activities around talent management and education on IDI (Intercultural Development Inventory); advocating for social justice by no longer remaining silent; broad training and awareness education throughout the company*

DEI leadership, strategy, & programs (26): *Develop formal policy and plans for DEI; create a DEI committee; hold learning sessions with employees to understand our starting point for DEI to build strategy; set up a senior DEI leader directly reporting to the CEO; focus on senior levels, including board composition; continue to diversify our talent and ensure we have increasing diversity across our business and in our leadership group; make significant investment*

Mentorship, sponsorship, & development (18): *Provide internal opportunities; create more specific development opportunities for identified high potential women and underrepresented minorities; focus on identifying and mentoring candidates for the global leadership program; focus on internal development of employees who have diverse backgrounds*

*Goals are not quotas.

**105 (76%) of 138 respondents answered. Numbers in parentheses sum to more than "N" because some respondents cited more than one action their companies are taking.

CFOs are taking various actions to advance DEI both within their finance teams and their organizations, ranging from focusing on recruiting and hiring to establishing clear goals* and metrics by which to measure their achievements, as well as reporting on progress.

- For the most part, CFOs indicated they are taking steps to cultivate diversity, equity, and inclusion in their finance teams and their organizations through recruiting and hiring, including expanding personal involvement in interviewing candidates and ensuring that both candidate pools and the slate of interviewers are diverse.
- CFOs also cited mentorship, sponsorship, and development as means by which they are addressing DEI. And one CFO mentioned having a reverse mentee.
- Getting concrete on goals*, metrics, and reporting was mentioned by a number of CFOs to make headway on DEI. Given finance's skills in tracking and reporting, this could be an area where CFOs could help their organizations set clear markers and provide clarity.
- Some CFOs noted they are taking a leadership role in developing and championing their organizations' DEI strategy and programs across the organization, not just finance. A small number of CFOs have HR under their purview, possibly boosting their involvement in advancing DEI and tracking progress.

What is the one thing you plan to do to make the greatest impact on advancing DEI? (N=109)**

Recruiting & hiring (48): *Promote employees to manager and executive roles; ensure a strong, diverse talent pipeline is in place across all levels and track and measure on progress; including DEI factors in hiring practices; make inclusion an important part of decision-making in recruiting and internal development programs; personally, interview every candidate down to regional CFO level for each open position; using data science for external hiring and internal inclusion analysis*

Mentorship, sponsorship,& development (28): *Take risk in advancing DEI candidates and supporting those candidates with leadership resources; mentor a diverse slate of succession candidates; mentor young diverse talent; sponsorship of key emerging diverse talent; support the career growth of women and minorities; have a reverse mentee*

Communications, education, & advocacy (21): *Create awareness and intentionally incorporate DEI into goals* and objectives; foster constant dialogue on the topic; continue to prioritize DEI in finance; engage in training; advocating for the dialogue; support expansion of various programs serving technical education; speaking up and championing DEI causes and embedding within our corporate strategy; driving discussions throughout the organization—creating a full strategy; work with HBCUs to advance finance and accounting as a major for underrepresented minorities*

DEI leadership, strategy, & programs (21): *Champion DEI causes and embed within the corporate strategy; establish action plans across the leadership team to increase diversity; create a full DEI strategy; model inclusive leadership styles; support DEI plans fully as part of leadership team; play a significant leadership role; add executive leadership support to the diversity committee; take active steps in expanding women leadership in departments; ensure finance is active in DEI planning; invest in DEI investment managers; include a minority bank in our revolver*

Goals*, metrics, & reporting (20): *Incorporate metrics into talent reviews; focus on pay equity; provide more transparency of progress to the broader company; discuss metrics and goals* with the team; conduct employee surveys on tracking DEI and report on results; expand reporting; Integrate DEI goals* and metrics into the finance strategy; double our supplier diversity goals*; set aside funding for our efforts and ensure the company understands that it is the smart thing to do from an economic standpoint; hold team accountable*

*Goals are not quotas.
**109 (79%) of 138 respondents answered. Numbers in parentheses sum to more than "N" because some respondents cited more than one action.

Appendix

Important notes about this survey report

The Deloitte North American *CFO Signals™ s*urvey 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.

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