



Control environment:

The biggest challenge and success factor for the CFO

PwC's 2nd CFO Compass Survey in SEE

February 2025



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Petko Petkov

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The Pathway to Finance Transformation

Transforming the finance function requires a fundamentally reevaluating its role within the organisation. Finance fields must move beyond traditional boundaries and adopt new operating models tailored to the business needs. Process automation initiatives should be implemented wisely since they pose risks of job displacement, high up-front costs, and potential data security breaches.

There is a trend of gradual but steady automation. Companies that delay artificial intelligence (AI), machine learning (ML) and predictive models adoption, like the alarming 53% of the CFOs with no implementation plans, risk falling behind competitors.

Furthermore, finding talent with deep technical knowledge is crucial, as well as upskilling present business partners.



Savin Dyankov

Director,
Capital Markets & Accounting
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The Evolving Role of CFOs

In today's economically unstable environment, businesses must reinvent themselves to remain relevant. In this relentless competition driven by digitalisation, CFOs have become key figures, boldly navigating the complexities of new revenue streams, unexplored markets and emerging technologies. Their role has evolved beyond traditional bookkeeping to encompass analysis, forecasting and corporate strategy.

Top-performing finance leaders not only set the tone but also set the pace. In the SEE region, the adoption of future finance tools is modest but holds significant potential. Companies still need to catch up to Western European peers but can benefit from their already proven best practices.



Stefan Milenkov

Senior Manager,
Capital Markets & Accounting
Advisory Services, Finance
Function Transformations

The Mature Finance Function: A strategic business partner

Mature finance functions adopt cutting-edge technologies and innovative solutions resulting in a company-wide organisational change. Digital transformation of processes increases analytical capabilities and responsiveness to adverse market conditions. Control environments ensure business continuation.

In this aspect, the potential for growth in South-East Europe is immense, however, according to the survey, only a small portion of finance units in the region can be considered fully mature. While some businesses experience limited capital allocation efficiencies, due to recessionary pressures and the effects of global political uncertainties, the overall outlook remains optimistic for those ready to redefine their operations for success.

What's on CFOs' minds heading into 2025?



Goals

CFOs in the SEE region are prioritising several key initiatives over the next 12 to 18 months to align their finance functions with evolving business demands.

➤ **Upgrading Enterprise Resource Planning (ERP) systems**, particularly SAP, is a major focus, aimed at enhancing efficiency and integration across financial processes.

➤ **Establishing a robust control environment and enhancing segregation of duties.**

➤ Additionally, CFOs are committed to **strategic growth through market expansion and business partnerships within the organisation.**

They are increasingly incorporating sustainability and ESG initiatives to align operations with environmental objectives.

➤ **Technological innovation**, including AI and ML, is being explored to boost efficiency and innovation.



Challenges

Despite these forward-looking goals, CFOs face significant challenges in navigating an uncertain business environment.

➤ **Cost control and operational efficiency** are critical as they strive to maintain profitability amidst economic uncertainties, with liquidity management remaining a top priority due to potential market volatility.

➤ **Regulatory compliance and risk management** are also pressing concerns, requiring CFOs to adapt to new regulations and enhance internal controls.

➤ **Talent management** is crucial for maintaining competitiveness, driving the need to upskill finance teams in digital tools and address workforce stability issues.

➤ Overall, CFOs are challenged to **balance digitalisation, efficiency, and compliance** while managing these complex dynamics.



PwC's CFO Compass Survey

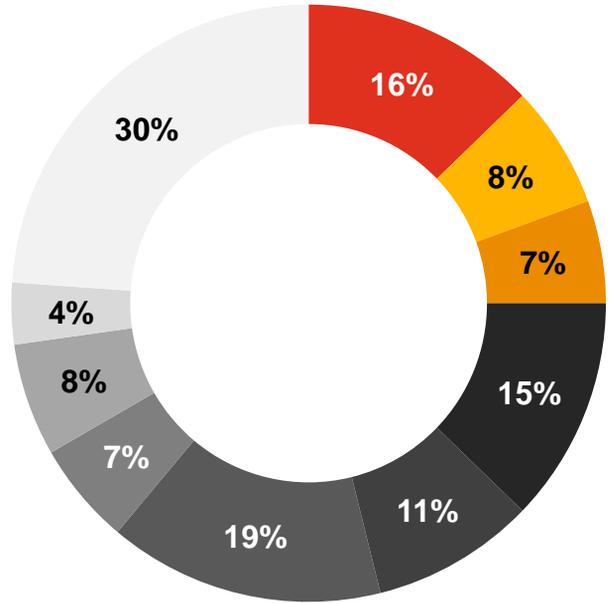
Over **150 CFOs** from 15 industries across the **SEE market** participated in the second edition of the "**PwC's CFO Compass Survey**".

The survey was conducted in 9 countries in the SEE region in the period between October and December 2024.



About the participants

- Consumer goods and retail
- Energy / Oil & Gas / Mining Sector
- Engineering / Construction
- Financial services
(banking, insurance, etc.)
- Food industry
- Manufacturing industry
- Technology
- Transport and logistics
- Pharmaceutical
- Other

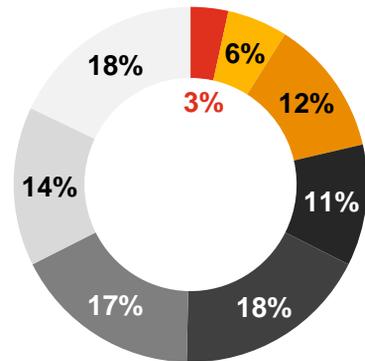
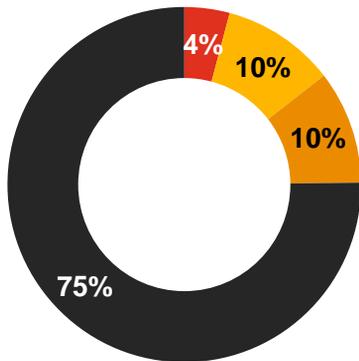


Source: PwC's 2nd SEE CFO Compass Survey

€

Over EUR 10 mln Revenue
Most common answer

101 – 250 Employees
Most common answer



- | | |
|---|--|
| Less than EUR 1 million | EUR 5-10 million |
| EUR 1-5 million | Over EUR 10 million |

- | | |
|--|---|
| Less than 10 | 101-250 |
| 10-20 | 251-500 |
| 21-50 | 501-1000 |
| 51-100 | Above 1000 |

Source: PwC's 2nd SEE CFO Compass Survey

Trends in the finance transformation agenda

6 key features of a mature finance function identified by top-performing CFOs in the SEE region

Digital Transformation and Automation **1**

CFOs are investing in advanced systems for efficiency and better decision-making. However, full automation integration is ongoing, requiring strategic change management for competitiveness.

Control Environment **2**

Digitalisation has reshaped the control environment by enabling decentralised organisational structure, cross-functional collaboration with IT units, and strict segregation of duties as anti-fraud controls and error prevention.

Talent Development and Talent Management **3**

Organisations emphasise upskilling to foster innovation and meet the demand for skilled finance professionals.

Strategic Growth and Market Expansion **4**

Exploring new markets and M&A opportunities is vital for maintaining a competitive edge and driving long-term success.

Profitability and Cost Management **5**

Amid economic uncertainties, cost optimisation and cash flow management are prioritised to ensure operational sustainability and long-term profitability.

Regulatory Compliance and Risk Management **6**

Adapting to regulations, such as CSRD and data privacy laws, is crucial for protecting financial health and reputation. ESG policies guide companies toward more sustainable and ethical practices, fostering transparency and value.



65% of CFOs report that establishing a strong control environment is their top priority

In today's ever-increasing market complexity, CFOs play a crucial role in steering their organisations through the challenges posed by rapidly evolving technologies.

A strong control environment emerges as a critical pillar of support.

This year's "CFO Compass Survey" highlights the importance of digital transformation and automation in ensuring business continuity.

Intelligent solutions improve productivity and data reliability, act as safeguards against fraud and errors, ensure consistent compliance with policies and regulations, and establish a well-structured framework within the finance function that promotes proper segregation of duties.

A stable control environment significantly impacts all business processes by providing a structured framework that supports the **integration of digital technologies into finance and information management.**

Finance professionals now consider data migration as the biggest challenge, when upgrading to a new system.

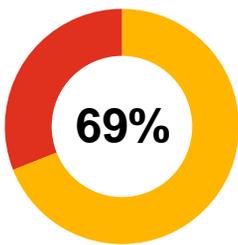
However, ERP systems don't come with a "segregation of duties" manual. Digital platforms can only replicate the already existing control environment and organisational structure.

There is a set of domains that need to be addressed to ensure successful implementation.

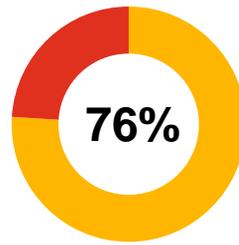


CFO Compass Survey Results: Processes

Improvements

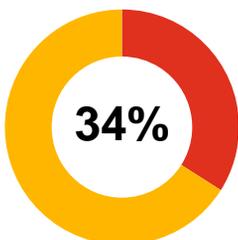


69% of CFOs monitor P&L and CF rolling forecasts in FP&A, representing no change from last year, while there is a 6% increase in the coverage of KPI prognosis.

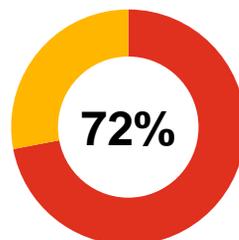


76% of CFOs have adapted management reports to business needs, showing a 7% improvement in scalability, transparency, and effectiveness.

Obstacles



34% of the finance leaders still find scenario analysis challenging, reflecting similar results to last year.



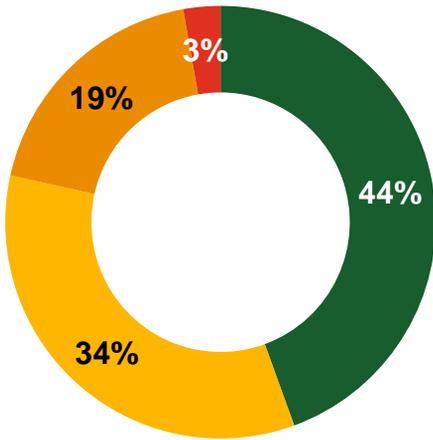
72% of CFOs have implemented CAPEX monitoring and forecasting, maintaining the previous year level.

Prolonged planning constrains CFOs during uncertain times by delaying decisions and reducing market responsiveness.



Question:

How do you assess the level of integration of the current planning processes within the organisation?



Source: PwC's 2nd SEE CFO Compass Survey

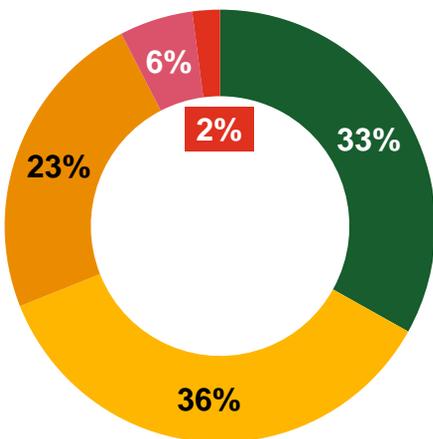
- Planning is fully integrated, carried out jointly by the area of finance and operations.
- Planning process is performed within the finance area based on previously agreed and approved scenarios by the organisation.
- The area of finance prepares only part of the analysis in consultation with the organisation. At the same time, business areas prepare independent scenario analysis for their own needs.
- The area of finance prepares analysis without consulting with the business. At the same time, business areas prepare their own plans and analysis.

Companies are underperforming in their full planning processes integration, with a 15% decline, suggesting challenges in aligning departments due to restructuring, budget constraints, or ineffective tools.



Question:

How long does the annual budgeting process take?



Source: PwC's 2nd SEE CFO Compass Survey

- less than 30 days
- between 31-60 days
- between 61-90 days
- between 91-120 days
- Over 120 days

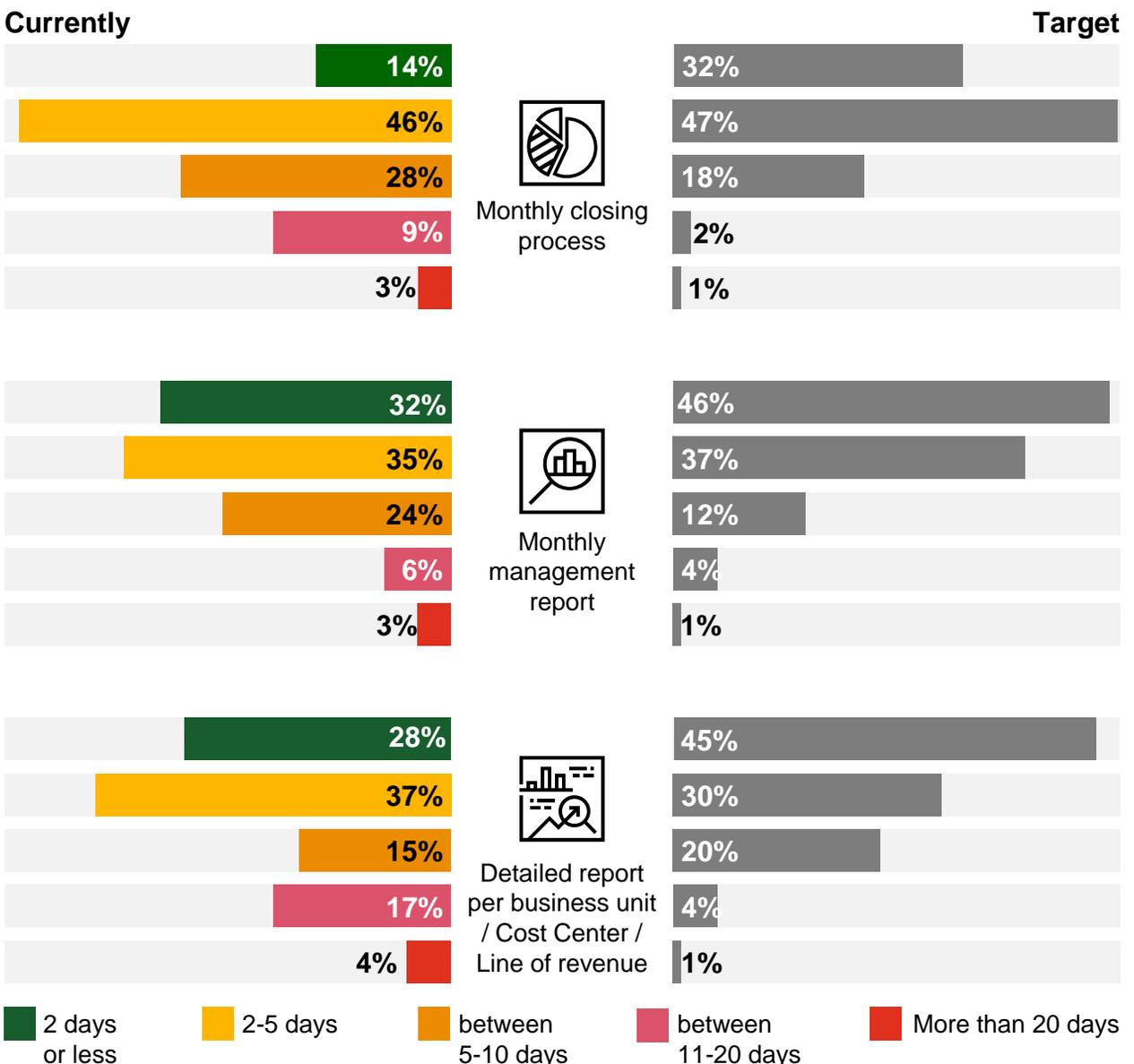
The annual planning period for **23%** of the companies now takes **between 61 and 90 days**, up from **13%** last year, **indicating increased complexities** arising from regulatory demands, thorough data analysis, or the involvement of multiple stakeholders.

98% target achievement was reached in completing monthly closing within a 2-5-day window.

A notable **36% of CFOs** said that **preparing detailed reports had become increasingly time-consuming** – a significant increase from last year, where 24% of the participants expressed similar concerns.

This time **60% of companies** were able to **complete their month-end closing processes within 5 business days or less**, a 15% improvement from last year.

Question:
How many working days on average per month do the following processes take in your company currently? How many days do you think they should take?



Source: PwC's 2nd SEE CFO Compass Survey



Savin Dyankov

Director,
CMAAS
South-East Europe

A fit-for-purpose structure consists of successfully integrated planning and budgeting processes within the organisation and is an integral feature of a mature finance function. It enables process optimisation and ensures better coordination among business units.

Proper segregation of duties within finance teams mitigates risks and boosts accountability. Departments operating in silo experience disjointed priorities and inefficient resource allocation. Such a detachment may lead to budget overruns, or underfunded projects. An integrated FP&A function can bridge the gap between financial planning and operational execution, often through the adoption of advanced technologies like predictive analysis.



Stefan Milenkov

Senior Manager,
CMAAS,
Finance Function
Transformations

Digital transformation of the finance function involves intelligently automating as many manual tasks as possible. By adopting advanced analytics, GenAI and ML, organisations gain valuable insights into financial performance and quickly pivot to unforeseen circumstances. The automations also include adopting cloud computing for real-time data access and leveraging RPA to handle repetitive tasks.

Nearly six in ten CFOs (62%) overlook data visualisations. Avoiding misleading visual elements and wrong data guarantees accuracy, reliability, and transparency of information, accelerating the evolution of finance processes. As a result, finance teams can reduce costs, strengthen the level of regulatory compliance, and enhance growth.



Question:

Can you indicate the level of automation of the following processes?

While last year the focus was on the untapped potential for process automation, this year marked a **significant progress**, particularly in tax-related tasks, revealing an increasing recognition of its benefits.

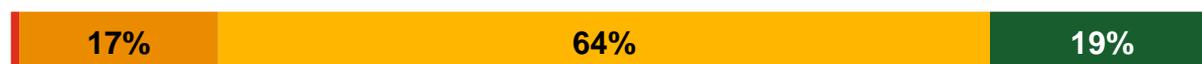
The full-automation degree of **Preparing data for tax inspections** has increased from **1% to 9%**, and the level of automation of **Preparing tax returns** achieved a **67% growth**.



Visual data processing



Data sorting



Preparation of management reports



Preparation of data for the needs of tax authorities' inspection



Preparation of tax returns



Preparation of financial statements



Invoicing of receivables



Payment handling



Purchasing processes



Credit assessment of contractors



Source: PwC's 2nd SEE CFO Compass Survey

1 in 4 finance leaders upgraded their management reporting by adopting a more sophisticated and dynamic reporting format.

How CFOs view management report digitalisation

Compared to last year, there is a **47% increase** in companies adopting dynamic management reporting with multi-level analysis, underlining a growing demand for precise data in a timely manner. However, **44% of CFOs still rely on static reports with limited visualisation.**

To drive further change, finance leaders should treat transformation projects as a strategic business initiative.



Question:

In what form is the basic set of management reports made available to the managerial staff every month?

22%

Dynamic form in a tool that enables multi-level self-service analysis

12%

Dynamic form – tables with data supported by visualisation enabling multilevel analysis (Excel) with comments

44%

Static form – tables with data supported by visualisation of main KPIs (PowerPoint, PDF, Excel) with comments

18%

Static form – tables with data, no visualisation (PowerPoint, PDF, Excel)

3%

There is no management reporting on a regular basis

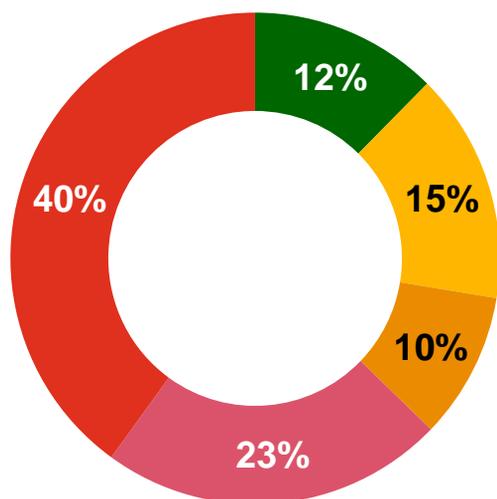
Source: PwC's 2nd SEE CFO Compass Survey

40% of CFOs continue to rely on manual data adjustments.



Question:

What is the reconciliation process between financial and management data for the purpose of management reporting?



Source: PwC's 2nd SEE CFO Compass Survey

- It is possible to define reports on your own in the Business Intelligence tool.
- Defined management reports at the organisation level are permanently listed in the system and automatically generated.
- Standard reports for selected scopes are launched from the list of management reports defined in the system.
- Accounting data is downloaded to standardised spreadsheets and no manual process of adjusting the data structure to generate reports is needed.
- Accounting data is loaded into spreadsheets, a manual process of adjusting the data structure for reporting purposes is necessary.



40% of CFOs continue to rely on manual data adjustments, a figure unchanged from last year, indicating persistent challenges in effective management reporting.



Notably, **the use of Business Intelligence (BI) tools for defining reports shows almost no increase**, with 12% of companies now using them exclusively, compared to 11% last year.



Despite this modest improvement, the continued reliance on manual adjustments suggests that many organisations have yet to modernise their financial processes fully.



BI tools like Tableau and Power BI offer significant potential to reduce manual work and enhance reporting efficiency by enabling real-time data analysis.



To achieve long-term success, businesses must accelerate the adoption of advanced technologies to align management reporting with evolving business demands.



CFO Compass Survey Results: Systems

The role of standardisation to finance function maturity

Standardisation is currently a major objective in the field of finance. The International Accounting Standards Board (IASB) highlights its importance when setting new standards. Numerous tools and software solutions are being developed to align corporate data. The Management is focused on streamlining processes within their organisations, which is valuable not only to individual entities but also to their interactions within a larger group.

A cloud-based ERP system benefits from standardisation by enabling seamless data integration and communication across diverse entities, facilitating real-time financial analysis and reducing complexity and errors.

A uniform chart of accounts provides a consistent method for categorising transactions, eliminating discrepancies and simplifying the consolidation process for accurate financial statement aggregation.

Consistent accounting policies across the group ensure that financial data is recorded and reported uniformly.

Adopting a standardised format for management reporting in a capital group offers key benefits like enhanced consistency, comparability, and transparency across entities. This constancy facilitates efficient consolidation and analysis of financial data, providing stakeholders with a clear view of performance metrics.

52% of CFOs have achieved a combination of full and high standardisation in business processes.

To achieve complete standardisation of its accounting information, a company should work on the following 3 components:



A cloud-based ERP system: it enables seamless data integration and communication across diverse entities, facilitating real-time financial analysis and reducing complexity and errors.



A uniform chart of accounts provides a consistent method for categorising transactions, eliminating discrepancies and simplifying the consolidation process for accurate financial statement aggregation.



Consistent accounting policies across the group: they ensure that financial data is recorded and reported uniformly, enhancing transparency and comparability.



Question:

How do you assess the degree of standardisation of data between different subsidiaries in the corporate group?



Full standardisation – one system in the group ensuring full standardisation from the perspective of statutory and management reporting.



High standardisation – most of the groups operate on the same accounting system, consistent accounting policy and chart of accounts.



Moderate standardisation – local accounting systems, but consistent accounting policy and standardised reporting categories to which local charts of accounts are mapped.



Lack of standardisation – local ERP systems, inconsistent accounting policies and charts of accounts.

Source: PwC's 2nd SEE CFO Compass Survey



Question:

What processes in your area have been centralised within the group or have been planned for centralisation?



Risk management



IT



Purchase



Debt collection process



Treasury



Cash flow management



Planning and budgeting



Management reporting



Financial reporting



Accounting

- No centralisation and we do not plan to centralise this process.
- Partial centralisation of the process regarding key companies and we are not planning any changes in this regard.
- Partial centralisation of the process regarding key companies, but we are planning changes in the scope of full centralisation.
- Complete centralisation of the process for key companies, does not require changes.
- Complete centralisation of the process in all companies, does not require changes.

Source: PwC's 2nd SEE CFO Compass Survey

Nearly 60% of CFOs are looking for support for advanced ERP systems



According to the survey findings, the most preferred ERP class systems remain SAP, with 1 in 3 CFOs opting for it, and MS Dynamics 365 used by roughly 10% of the participants.

While not as common, consolidation tools complement these ERP systems by automating data aggregation, enhancing accuracy and saving time.

These tools are pivotal in the financial management of corporate groups, as they streamline the aggregation and standardisation of accounting data across subsidiaries.



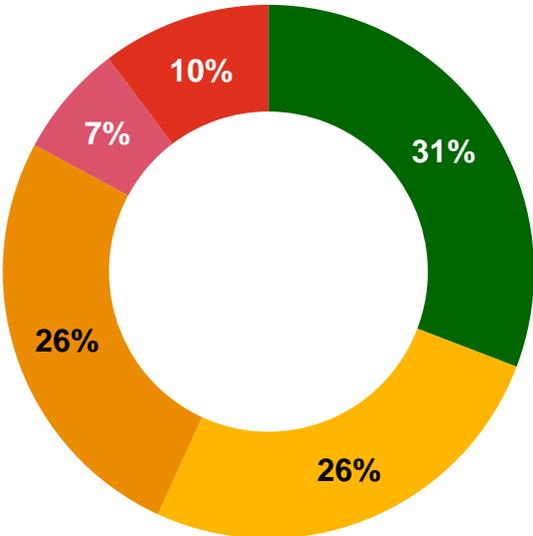
Boyan Dinev
 Manager,
 Capital Markets and
 Accounting Advisory
 Services

Consolidation tools ensure consistency and accuracy in both statutory and managerial reporting. They support compliance with regulatory requirements by providing reliable and timely financial reporting.

As corporate groups grow, maintaining a unified view of financial performance becomes more challenging. Such tools offer a standardised approach to financial data management.



Question:
 What is the architecture of the currently used systems supporting your areas and what are the plans for their development?



- We have an ERP class system (e.g. SAP, Oracle, IFS) and it meets our expectations in terms of supporting financial functions.
- We have an ERP class system (as above) with additional systems supporting the finance functions of the organisation and it meets our expectations.
- We have a system / systems that we plan to expand to better support the finance functions in the organisation.
- We plan to upgrade our current system to take advantage of its new features.
- We plan to replace the current financial and accounting system with a system from another manufacturer.

Source: PwC's 2nd SEE CFO Compass Survey

Embracing AI for Profitability and Agility



The integration of digital automation and artificial intelligence (AI) has fundamentally transformed financial departments by minimising mundane and repetitive tasks. By leveraging AI-powered tools, businesses can secure a competitive advantage and more effectively meet customer demands.

Concerns about costs, cyberattacks and data breaches hinder automation. To overcome these barriers, organisations should treat technology as a strategic investment rather than a mere expense. Consider digital domain preparedness by implementing robust cybersecurity protocols and adhering to data protection regulations like GDPR and the SEC's cyber disclosure rule. Furthermore, conducting in-house training for the company's workforce can ease the transition to automated systems.

The findings from PwC's 28 Annual Global CEO Survey show that about half of CEOs (49%) expect GenAI to increase the profitability of their company over the next 12 months. These figures are broadly consistent with other PwC research among executives, employees and investors.

In PwC's Global Workforce Hopes and Fears Survey 2024, 62% of employees said they expected GenAI to increase their efficiency at work over the next 12 months.



Snezhana Ilieva

Director,
AI Lead for South-East
Europe



The true potential of these technologies can be realised through collaboration between AI and human expertise. **AI performs best when used in partnership with people. Think of it as a teammate who helps you to complete tasks efficiently.** This synergy is crucial, because organisations can bridge the growing gap and secure their positions.

The technological transformation of finance functions limits the burden on manual handling information and promotes a high level of productivity, interoperability, dynamism, and enhanced overall performance.

These IT solutions are not just tools but strategic assets that allow CFOs to focus on long-term growth and creation of stakeholders' value.

Building predictive models is key for CFOs to navigate the unpredictable economic landscape

The second edition of our survey highlights a positive perception of innovative technologies compared to last year, with a **43% increase in the use of Big Data and predictive analysis.**

Business Intelligence and Data Mining are becoming integral to business operations, with a **26% rise** in adoption compared to last year.

However, the percentage of respondents who have full or partial implementation of **AI and Machine Learning (ML) remains unchanged – 13%.**

This stagnation emphasises the widening gap emerging between organisations that have embraced AI and those lagging in their digital transformation.



Question: To what extent have the following solutions been implemented within your area of responsibility?



Data Mining, Business Intelligence, data visualisation



Big Data, predictive analysis



Artificial intelligence (AI) / Machine Learning (ML)



Robotic process automation (RPA)



Source: PwC's 2nd SEE CFO Compass Survey

Cyber Security with DORA and NIS2:

CFOs should revise their ability to manage cyber risks and adhere to cyber governance



Kristian Viktorov

Senior Manager,
Cyber Security and
Digital Identity



NIS 2 (Network and Information Security Directive 2) and DORA (Digital Operational Resilience Act) are pivotal for safeguarding organisational resilience and protecting financial performance. NIS 2 mandates enhanced cybersecurity for essential and digital service providers, emphasising risk management, incident reporting, and compliance with stringent standards. For CFOs, this underscores the need for strategic investment in cybersecurity infrastructure and processes, as non-compliance risks severe financial penalties, reputational harm, and potential operational disruptions that could cascade across the business.



The directive's broadened scope also means more industries are now under regulatory scrutiny, elevating the importance of proactive readiness. DORA further reinforces digital resilience by requiring robust IT governance, end-to-end stress testing, and oversight of third-party technology providers. For CFOs, this translates into ensuring that financial and operational risks associated with digital infrastructure are identified and mitigated effectively. The regulation demands a comprehensive approach to continuity planning and operational readiness, safeguarding critical business functions against IT disruptions.

Together, NIS 2 and DORA signal a shift from reactive to proactive resilience strategies, making it essential for C-suite leaders to align governance, compliance, and investment priorities with these regulatory frameworks.





CFO Compass Survey Results: Competence



Deyan Savov
Director,
Risk Assurance
Services



In recent years, businesses have been rapidly integrating new technologies to help make more effective and informed decisions, optimise resources, and improve communication with customers.

However, the introduction of all these innovations combined, also means that the Risk and Audit universes of the companies are growing ever more complex.



There is a pressing need for upskilling team members to leverage tech-powered financial tools

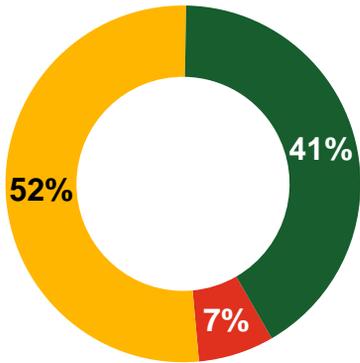


If CFOs want to have the confidence that their organisation is continually moving towards its strategic goals, they will need to invest in expanding the capabilities of its Risk and Internal Audit Function.

Statistics from the Institute of Internal Auditors show that market leaders effectively approach this with a strategic mix of internal upskilling and employing external specialists.

41% of CFOs say that the employees managed by them have an advanced knowledge of the systems in place.

Question: How do you assess the current technical capabilities of employees managed by you to fully utilise the systems in place?

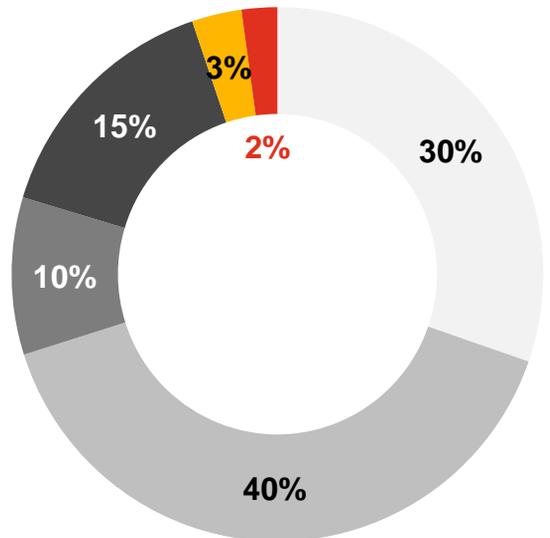


- They can use them at an advanced level
- They can use them at an average level
- Their knowledge and use is limited

Source: PwC's 2nd SEE CFO Compass Survey

Question: Who in the organisation is responsible for change management within the finance function and the implementation of new technologies and IT solutions?

- Board of Management
- CFO
- CIO
- Designated Managers
- A separate position
- External consultants



Source: PwC's 2nd SEE CFO Compass Survey

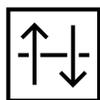
Generally, the CFO is responsible for managing changes within the finance function. The Board of Management, however, is always expected to navigate change.



CFO Compass Survey Results: Compliance



CFOs should be proactive about change to avoid the upcoming pressure of SOPL restructuring under IFRS 18



The classification of the operating category emerges as the primary concern for CFOs



Finance leaders are relatively (49%) aligned in terms of their organisation's future direction



A fifth of the survey participants believe that transparency and integrity in investor-grade reporting will increase under IFRS 19

Only half (49%) of CFOs report that their companies are ready for IFRS 18

IFRS 18

IFRS 18 represents a significant change in financial reporting, replacing IAS 1 and affecting all entities reporting under IFRS. The major changes include a new format for the P&L statement, introduction of Management-defined Performance Measures (MPMs), and updated requirements for aggregation and disaggregation.

Question: Are you prepared to adapt your financial reporting to the requirements of the IFRS 18?



Source: PwC's 2nd SEE CFO Compass Survey

How to prepare:

 Perform an internal review to evaluate how your financial statements align with the new IFRS 18 requirements.

 Update your IT architecture to support enhanced data management, reporting, and audit requirements.

 Arrange training workshops for key employees to ensure they understand the new standards.

 Examine your financial reporting systems and processes updating them to accommodate increased data granularity.



 Consider bringing in external consultants to guide you through the transition to the new standards.

54% of the companies expect challenges while preparing the Operating category of the P&L.



The income statement will be divided into Operating, Investing, and Financing categories. The Operating category of the new Income statement is expected to pose the most challenges for companies.

When preparing the category, companies will have to reclassify line items, which have always been there, to Investing or Financing. This can be tricky since not all transactions fall under this rule. Errors in categorisation could affect operating profit calculations, impacting internal analysis and external investor perceptions, so the preparation of the P&L statement requires careful attention.



Vasil Chincev

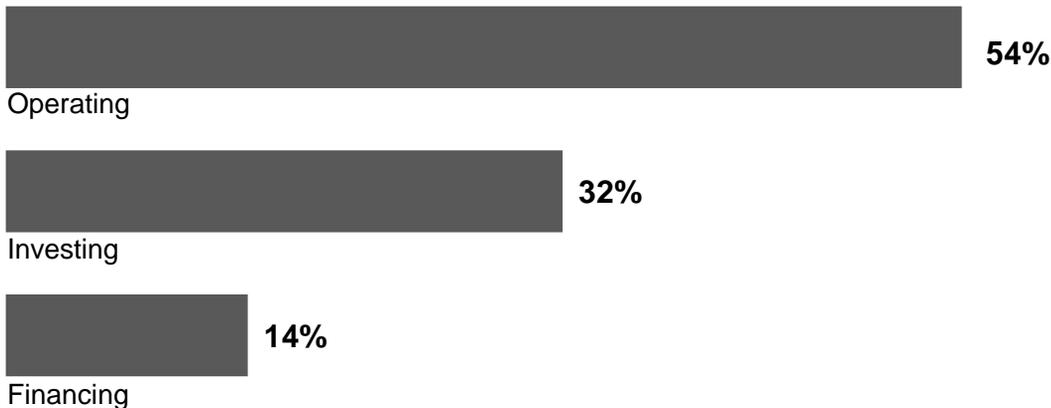
Senior Manager,
Capital Markets and
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IFRS 18 is expected to improve the transparency and comparability of financial statements, benefiting investors and stakeholders by enhancing the quality of financial information and aiding in investment decisions.



Question:

Which of the 3 new IS (Income Statement) categories is likely to be most challenging for you to prepare?



Source: PwC's 2nd SEE CFO Compass Survey

IFRS 19

IFRS 19 is a new standard allowing eligible subsidiaries to use reduced disclosure requirements, easing the burden of detailed reporting imposed by other standards. The adoption of this standard is optional, as its advantages mainly benefit those preparing the reports, with minimal interest from investors. Companies have the flexibility to decide when to implement it with early adoption set in 2027 and can revert to full disclosures if needed.

Eligibility for IFRS 19 requires subsidiaries to have a parent company that prepares consolidated financial statements under IFRS and to lack public accountability.

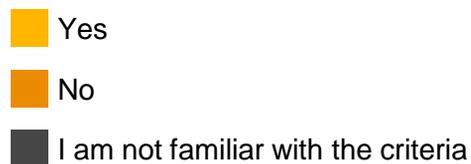
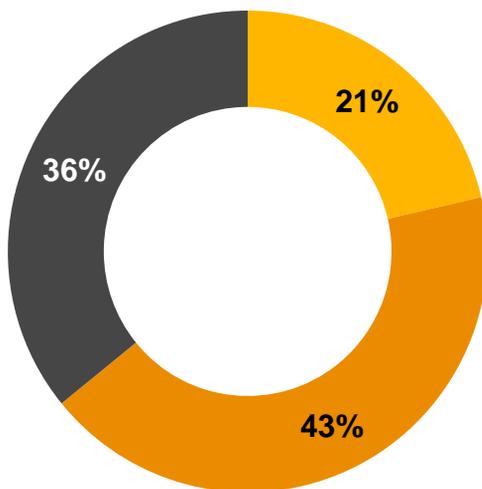
According to CFO survey, **21% of respondents confirmed they meet these criteria, while others were either ineligible or uncertain.** It is crucial for organisations to determine their eligibility. A company is considered to have public accountability if its debt or equity instruments are traded on a public market, or if the company holds assets in a fiduciary capacity for a broad group of outsiders, such as banks, credit unions, insurance companies, and similar entities.

For organisations using IFRS for both their consolidated and subsidiary financial statements, IFRS 19 can enhance operational efficiency and lower reporting expenses.



Question:

Do you meet the criteria for a small enterprise according to IFRS 19?



Source: PwC's 2nd SEE CFO Compass Survey



CFO Compass Survey Results: Sustainability

This year the SEE CFO Compass Survey assessed the readiness of companies to comply with the new directive for corporate sustainability reporting (CSRD) and its requirements.

ESG (Environmental, Social, and Governance) has emerged as a pivotal focus in the business world, reflecting a heightened awareness of corporate responsibility. Companies are now expected to contribute positively to society and the environment, aligning their operations with broader societal objectives like the United Nations Sustainable Development Goals (SDGs).

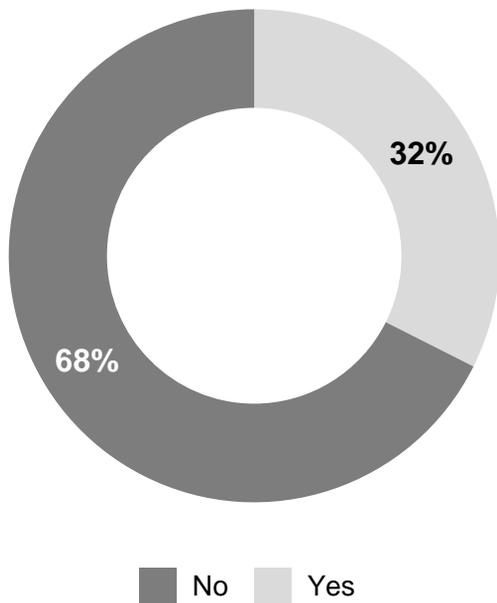
In line with this shift, governments and regulatory bodies globally are enforcing stricter regulations to ensure environmental protection, social responsibility, and robust corporate governance. This regulatory push has given rise to ESG reporting.

Under these new rules, organisations must now include non-financial disclosures alongside their financial statements, addressing the three pillars of ESG. This requirement offers significant advantages, as investors increasingly incorporate ESG factors into their decision-making processes. Companies with strong ESG performance are often perceived as being better equipped for long-term success and effective risk management.

Moreover, as consumer preferences evolve, companies that demonstrate a commitment to ESG can enhance brand loyalty and build higher trust with their customers.



Question:
Do you currently produce an ESG report?



Source: PwC's 2nd SEE CFO Compass Survey

32%

of CFOs say that their companies produce an ESG report

A great number of businesses underestimate the importance of ESG.

Sustainability strategies showcase a company's dedication to environmental responsibility, improving its reputation, attracting investors, and meeting the expectations of socially conscious stakeholders.

By producing an ESG report, companies not only comply with regulations and avoid penalties but also gain valuable insights into their operations to drive strategic improvements and build trust.

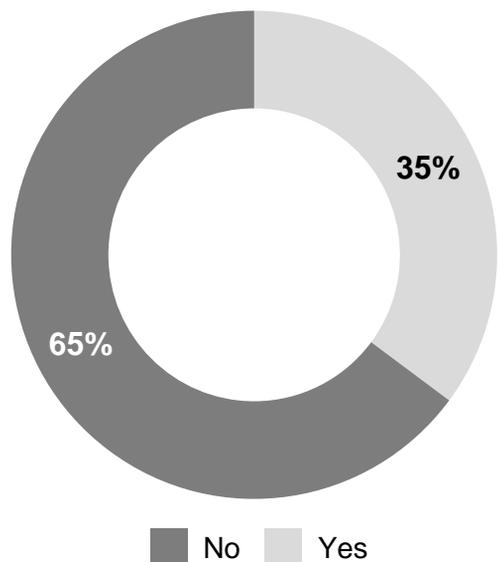


Question:
Do you have a team specialised in ESG reporting?

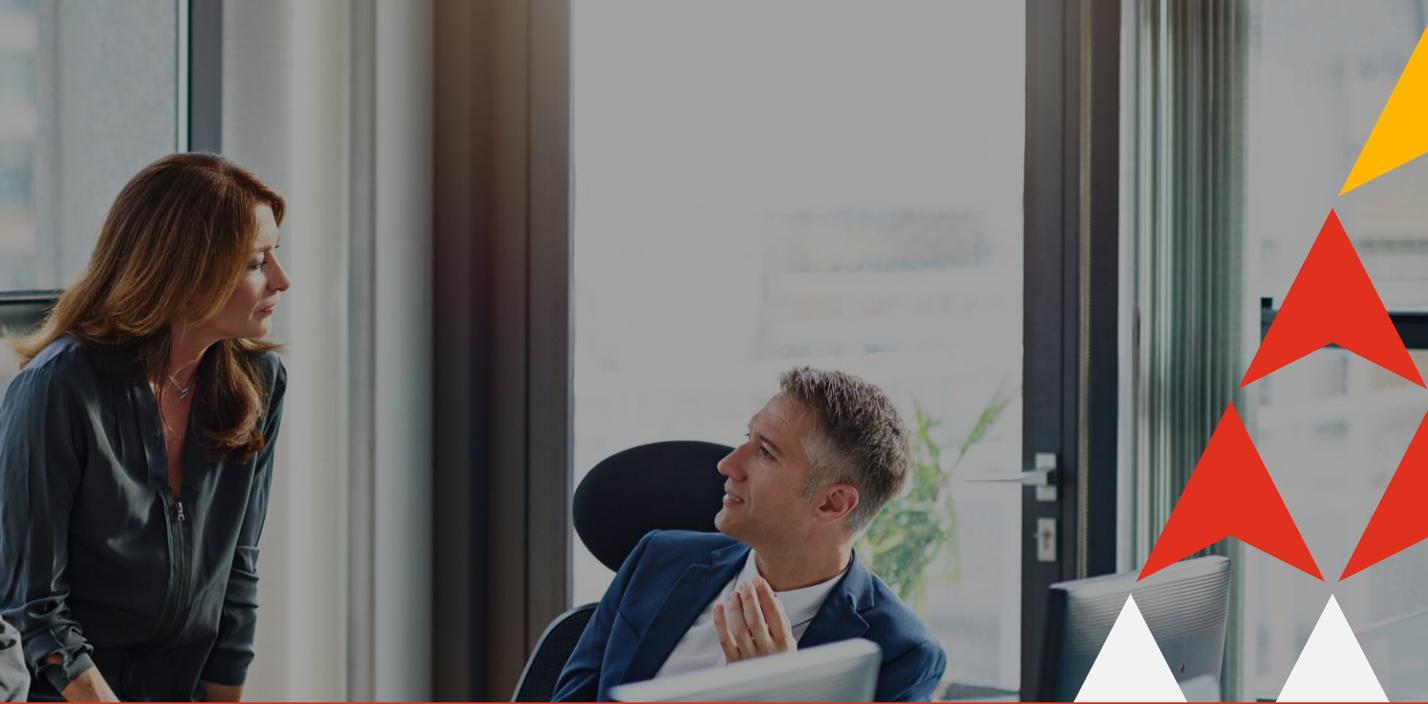
35%

have a specialised team in ESG reporting

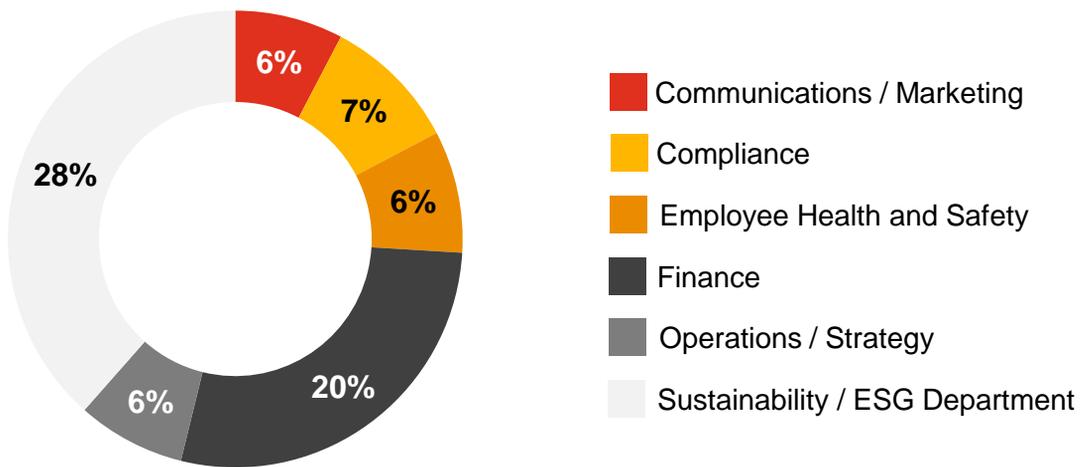
This indicates that while 32% of organisations already produce an ESG report, an additional **3% are proactively preparing to incorporate sustainable reporting** as they adapt to evolving market conditions.



Source: PwC's 2nd SEE CFO Compass Survey



Question: In which function area or department is your ESG reporting function anchored?



Source: PwC's 2nd SEE CFO Compass Survey

* Note: Highest-ranked choices from a list of 13 options

The survey reveals that the majority of the organisations (28%) have their ESG reporting function within the Sustainability/ESG Department.

Meanwhile, 20% of the participants anchored their ESG reporting to their finance function. This choice suggests that businesses recognise the effect of ESG criteria alongside CSRD compliance on financial decision-making and risk management.

Sustainability reporting has a diverse nature and **can be integrated into different key areas** through business partnerships to effectively create long-term stakeholder value.

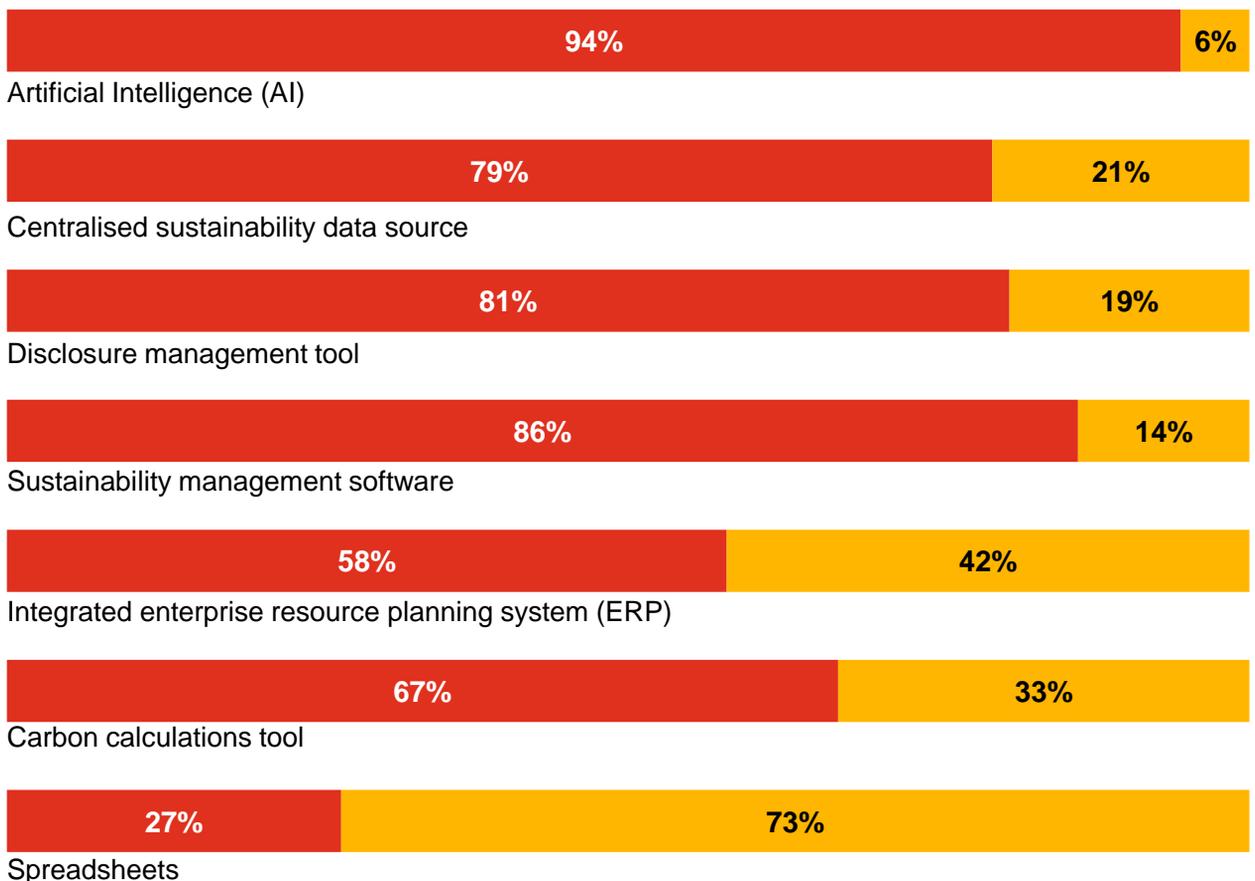
Companies use a variety of tools and technologies to enhance the efficiency and accuracy of sustainability reporting. While spreadsheets are used by 73% of the finance leaders for initial data processing due to their accessibility, they can become weighty when handling large datasets.

Carbon calculation tools are indispensable. Currently, **one-third** of the **organisations** utilise them to accurately quantify their carbon footprint, enabling them to monitor emissions and make cleaner energy choices.

Sustainability management software simplifies the reporting process by automating climate data collection and analysis, assisting in setting goals, and tracking progress. Despite its benefits, only **14%** of respondents are presently harnessing them.

AI serve as the backbone of a more manageable sustainability reporting ecosystem, providing functions such as climate risk analysis and waste management optimisation. Yet, merely **6% of the organisation** are utilising it.

Question: Does your company use any of the following tools/technologies for sustainability reporting?



No **Yes**

Source: PwC's 2nd SEE CFO Compass Survey

CSRD

All companies, except for non-listed SMEs and micro entities, will eventually need to comply with the CSRD reporting requirements. On February 8, 2025, changes were made to postpone the deadline for adopting sector-specific ESRS under the CSRD by two years. These requirements will be phased in, starting with the FY mid-2026 for large and parent EU companies with 500+ employees, FY 2027 for all large EU companies, FY 2028 for listed SMEs, and from FY 2029 onwards for non-EU companies with substantial activity in the EU.



Question:

In which category for CSRD do you fall?

31%
Large companies and parent companies of a large group with over 500 employees.

31%
I am not familiar with the categories and cannot answer.

20%
Large companies meeting two out of three criteria: over 250 employees, €50 million in turnover, €25 million in total assets, and parent companies of a large group.

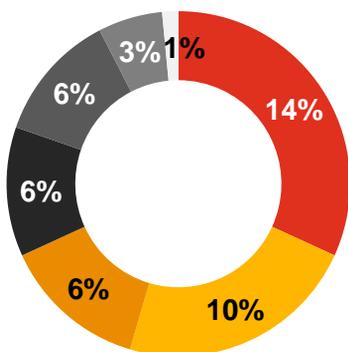
16%
Listed small and medium-sized enterprises (SMEs), small and non-complex credit institutions, and captive insurance undertakings.

2%
Non-EU companies with substantial activity in the EU (net turnover of more than €150 million in the EU and at least one subsidiary or branch in the EU exceeding certain thresholds).



Question:

Which of the following processes regarding the CSRD transition would you seek assistance/guidance for?



Clarify what data is needed, and most importantly, what it is being used for

Preparation of draft disclosure

Operationalise the data collection

EU Taxonomy analysis

Integrate ESG into existing data architecture

Organise quality, integrity and governance of ESG data

Double materiality assessment process

64%

of the respondents have not initiated any steps.

This indicates a mindset issue towards change rather than task-specific challenges. Special attention is needed for the "double materiality" approach in sustainability reporting, which assesses both financial materiality (impact on financial performance) and environmental/social materiality (impact on environment and society).



Question:

Please assign your level of readiness to each of the following preliminary CSRD steps:



Preparation of draft disclosure



Establishment of policies and controls



Validation of availability and completeness of data



Engage with assurance provider



Disclosure gap analysis



EU Taxonomy analysis



Double materiality assessment



Confirmation of reporting options and possible exemptions



Source: PwC's 2nd SEE CFO Compass Survey

Five steps to a modern finance function

Companies are challenged by the need to invest in **digital technologies and automation** to improve efficiency and remain competitive.

1

The five key areas to build a mature finance function, ready for the challenges of the future.

The **integration of advanced systems** plays a crucial role in this transformation, enabling organisations to streamline operations and enhance data-driven decision-making. However, the complexity of these systems demands robust processes to manage change effectively and ensure seamless implementation across various departments.

2

Changes in regulatory requirements and the volatile microeconomic environment further complicate efforts to maintain profitability and achieve financial maturity. Compliance with these evolving regulations necessitates vigilant oversight and the ability to swiftly adapt to new legal frameworks, thereby safeguarding the organisation's reputation and financial health.

4

As businesses strive to navigate an increasingly competitive landscape, the **development of employee competence** emerges as a critical factor. Investing in upskilling and reskilling initiatives empowers the workforce to adapt to new technologies and methodologies, fostering a culture of continuous learning and innovation.

3

Sustainability has become a key area of focus for companies aiming to balance economic growth with environmental responsibility. Organisations are prioritising sustainable practices to reduce their carbon footprint and meet the growing expectations of stakeholders who demand ethical and eco-friendly business operations.

5

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PwC's CFO Compass Club

"PwC's CFO Compass Club" is proud to host leading finance professionals from the SEE region.

Our community provides a platform that not only addresses current challenges within organisations but also looks forward to define the meaning of a "mature finance function" in the future.

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Thank you!

PwC's 2nd SEE CFO Compass Survey



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