



KPMG 2021 Kuwait CEO Outlook

Optimism ahead.

KPMG in Kuwait

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Foreword

Welcome to the first edition of the KPMG 2021 Kuwait CEO Outlook

— a Kuwait-centric insight inspired by KPMG’s marquee publication, Global CEO Outlook, which, for many years now, has been presenting the thoughts, perspectives, strategies and concerns of CEOs globally.

I am pleased to inform you that this edition of the CEO Outlook features quantitative and qualitative contributions from over 30 market leaders across various sectors in Kuwait. To make this report more insightful, we have included valuable inputs from KPMG’s leaders along with the insights provided by the participating CEOs.

When we were planning this insight around August this year, Kuwait had just started recovering from the double whammy of the COVID-19 pandemic and the oil price crash. The market indicators presented a grim scenario. However, as we publish our results, Kuwait’s CEOs are starting to look optimistic, confident, and they are expecting aggressive growth.

While 96 percent of the CEOs interviewed are confident of their company’s growth in the coming 1–3 years, 88 percent of the CEOs can be described to have an appetite for growth through acquisitions.

The CEOs also believe that technological innovations and disruption can create significant opportunities for their companies as 80 percent of them prioritize technology investment when pursuing growth. Our research also found that 92 percent of the CEOs plan on increasing their headcount in the next 1–3 years, which offers a positive outlook of the country’s economic recovery.

The Kuwait government’s vaccination program has boosted the return-to-office scenarios for businesses in the country, and our results indicate that nearly 65 percent of the CEOs are ready to bring back their staff to office.

Talking about the barriers to growth, CEOs in Kuwait put cyber security as the No. 1 risk and agreed that a robust cyber strategy will be critical in inciting trust among stakeholders. Cyber resilience is closely followed by ESG risk, which has taken center stage in recent times.

Our results find that 72 percent of the CEOs plan on investing more than 10 percent of their revenues toward becoming more sustainable. Tax, regulatory and supply chain risks are also among the top 5 risks toward growth, as indicated by the CEOs. Despite these hindrances, the overall mood in the boardroom seems to be optimistic.

The CEOs are more focused and purpose-driven than ever before. They are looking to drive growth and

prosperity through digital agility and innovation while balancing it with environmental investments and human capital.

I hope you enjoy reading this insight, and that it helps you provide a vision for the future, which, in my understanding, is optimistic.

Every day, KPMG in Kuwait is working toward making a stronger, more sustainable future by working together, and I am incredibly proud to be a part of this journey.

Finally, I want to thank all the CEOs who participated in the survey and the interviews to make this report possible. Thank you and stay safe.

Dr. Rasheed Al-Qenae
Managing Partner
KPMG in Kuwait



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KPMG IN KUWAIT

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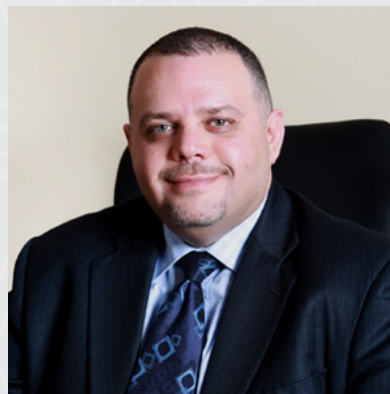
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Naser
Aldousari

President and CEO
EQUATE Group

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Anas
Meerza

Group CEO
National Technology
Enterprises Company

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Adeel
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Chief Financial Officer
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Osama Jawad
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CEO and Chairman
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Key findings

The KPMG 2021 Kuwait CEO Outlook offers a unique lens on the ongoing implications of the COVID-19 pandemic on the Kuwait market and the prospects for economic recovery. This report takes a deep dive into the market perspectives and concerns from the C-suite in Kuwait. The outlook, which is an annual survey conducted with 1300+ CEOs globally including 30+ CEOs from Kuwait, draws on the perspectives for the future of growth, work and society as a whole.

Key developments are focused on how today's connected CEOs are plugged-in, people-first and purpose-led to grow their organizations and emerge stronger:

CEOs in Kuwait are optimistic, confident and expect aggressive growth through acquisitions. They believe that the introduction of new technologies and growing disruption can create significant opportunities for their companies.

With increased stakeholder pressure to build back better, global organizations are supercharged to increase investment into environmental, social and governance (ESG) priorities and stay true to their purpose.

Growth through acquisition emerged as one of the top priorities for the CEOs as they look for more M&A opportunities. CEOs believe that M&A will likely be particularly important for driving digital innovation and acquiring technology capabilities.

Further, with people returning to their places of work, CEOs are considering changing the future of work by recognizing employees' demands for continued flexibility. Efforts are being made to mitigate the supply chain stress that emerged during the pandemic's course using strategies such as deeper monitoring and diversification of sources.

Overall, three key themes emerged from this year's survey.

The road to renewal

Despite continued uncertainty and risk volatility, CEOs are confident and optimistic about growth, feel a strong connection to their purpose and are looking to drive expansion.

Rebounding growth

64 percent of the CEOs are confident about growth prospects for the global economy. Overall, CEO confidence has returned to pre-pandemic levels of early 2020, despite the Delta variant slowing down the return to normal. CEOs are becoming more aware of tax concerns and about 60 percent of them are feeling increasing pressure to report their tax contributions publicly as part of their broader ESG commitments.

Leading with purpose

As the public looks to leaders to drive progress on major societal challenges, 64 percent say that their organization's defining objective is to embed purpose into everything they do — creating long-term value for all stakeholders.

Accelerating growth and the digital agenda

With 96 percent of the CEOs confident in their own company's growth prospects, M&A appears to be critical to powering this growth and acquiring digital capability — 88 percent said that they are looking to make deals in the next 3 years.

Trusted purpose

With increased stakeholder pressure to build business back better, CEOs are embedding ESG into business strategy.

Putting people first to drive societal return

76 percent said that CEOs will be increasingly held personally responsible for driving progress in addressing social issues. And 44 percent admitted that with public, investor and government expectations of diversity, equity and inclusion rising so fast, they may struggle to meet expectations.

Collaborating to power sustainability

Making progress on climate change will likely require action from both businesses and government, with 72 percent of the CEOs planning to invest more than 10 percent of their revenues in becoming more sustainable.

Connecting ESG strategy with financial returns

About 44 percent of the CEOs believe that their ESG programs will either improve or have no impact on their financial performance.

Digital agility

CEOs are strengthening their organization's digital advantage by building a more flexible future of work and operating as part of digital ecosystems.

Building a flexible future of work

CEOs need to decide on an operating model for the future that works for both employers and employees. The focus seems to shift toward managed services as 32 percent are saying that they will look to hire talent that works predominantly remotely. 48 percent of the CEOs want to invest in shared office spaces.

Disrupting the disruptors

CEOs are looking to get on the front foot when it comes to disruption and innovation, with 52 percent saying they will increase investment in disruption detection and innovation processes.

Partnering for transformation and resilience

96 percent of the CEOs are saying that new partnerships will be critical to continuing the pace of digital transformation, but they are also mindful of building cyber resilience into their approach.

The road to renewal

The pandemic was a test of leadership for CEOs: the true leaders protected the health and well-being of their employees, made big decisions amid uncertainty and adapted their leadership approach in a virtual environment. Today, CEOs are facing new challenges as their organizations manage the ongoing impact of the pandemic. They are balancing the potential to drive growth and transform their business with uncertainty around the potential of an uneven global recovery and the impacts of new virus variants and vaccine inequality.

Connected CEOs recognize that the prerequisite for succeeding in a rapidly evolving landscape is being plugged in. This means building a digital core, connecting back, middle and front-office functions to focus on the customer. It means making sure the business model is relevant — deciding which businesses to divest or add and reallocating capital expenditure to new digital growth opportunities. It means being resilient to cyber risk while also pursuing bold digital innovations. At the same time, CEOs need to have a people-first mindset — not only investing in new technologies, but also human capability. Finally, CEOs need to be purpose-led — winning the trust of stakeholders and helping build a more prosperous, equitable and

sustainable world. Purpose-led CEOs follow through and deliver on previous commitments and statements with bold ESG programs. Sustained growth is about connecting these three priorities.

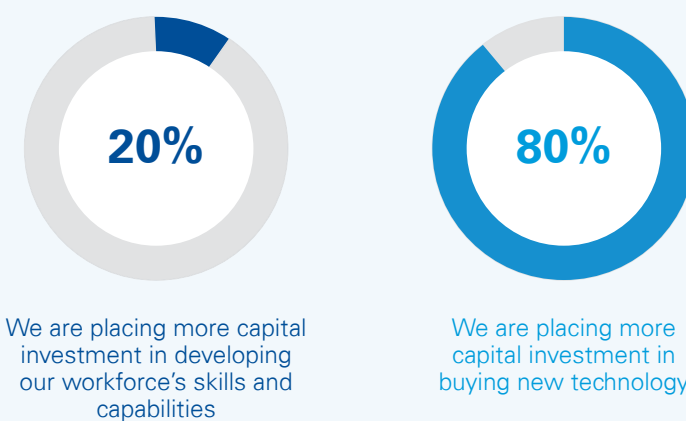
Rebounding growth

Despite the continued uncertainty of the COVID-19 pandemic, the survey shows that the perspectives and confidence of CEOs have shifted. CEOs are more optimistic about growth. About 64 percent of Kuwait's CEOs are confident about the growth prospects of the global economy over the next three years.

With the successful vaccination program in Kuwait, overall, CEO confidence levels have returned to the levels of early 2020. But to deliver this growth, organizations will need to make sure they have the right talent with the right skills to bring their growth plans to life. The research found that 92 percent plan on increasing their headcount over the next three years, with close to 32 percent planning an increase of more than 6 percent.

There is a strong focus on infusing new technologies as a majority of the CEOs (80 percent) are prioritizing technology investment when pursuing growth.

Chart 1: Building talent an increasingly important driver of growth and performance



As CEOs look to drive growth, they also facing the significant task of leading companies in a time of great uncertainty, where assumptions and forecasts are subject to constant change. As Chart 3 on page no.12 shows, cyber security emerged as the top threat to growth followed by climate change, supply chain and technology risks.

A sector view on risk

Differentiating between the top three risks comes down to a sector-specific lens, where a clearer picture emerges about their top challenge to growth.

- Over a quarter of retail/consumer segment CEOs (28 percent) are focused on supply chain risk, as are manufacturing (25 percent) and automotive (26 percent).
- Energy CEOs (37 percent) and infrastructure (19 percent) are focused on climate change.
- Technology sector CEOs (31 percent), telecoms (32 percent) and banking (17 percent) are focused on cyber security.



Chief Tax officers and tax leaders now need to be part of executive committee meetings and board meetings and regularly connect with their CEOs to keep them informed about key tax risks as well as to ensure that the views of tax function is considered while making business decisions and that the risks arising are managed proactively.

Tax risks can easily become a reputational risk and a much more damaging business risk in the integrated world of today if not managed appropriately.



Zubair Patel,
Partner and Head of Tax
KPMG in Kuwait

Chart 2: Threats to growth as identified by the CEOs in Kuwait



What also distinguishes individual risks is how they have moved up on the agenda since 2020 — and two have seen marked rises.

- **Supply chain risk** In the research, 88 percent of the CEOs lead businesses that operate a supply chain, with 68 percent of that group saying their supply chain has been under increasing stress over the past 18 months.
- **Tax risk** 76 percent of the CEOs believe that the pressure put on public finances by the pandemic response has increased the urgency for multilateral cooperation on the global tax system. At the same time, 84 percent agree that the proposed global minimum tax regime is of significant concern to their organization’s goals on growth. Meanwhile, they are more worried about regulatory and tax risks than they were prior to the pandemic. The survey also found that 80 percent of the CEOs recognize the strong link between the public’s trust in their businesses and how their tax approach aligns with their organizational values. As businesses aim to build back better, a majority (60 percent) of the CEOs are feeling increased pressure to report their tax contributions publicly as part of their broader ESG commitments.

Leading with purpose

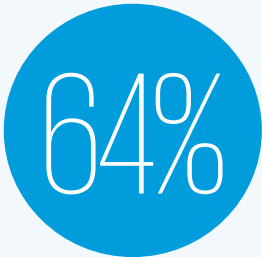
The convergence of issues ranging from climate change to social tensions has not just created widespread uncertainty: it has called into question the role that institutions play in the world today. In this context, stakeholder expectations of businesses have risen and the actions of organizations and their leaders are under increasing scrutiny. Today, CEOs aim to deliver the shareholder returns investors expect and help build a better future for society.



“Lack of proper oversight can not only lead to a cost to the business in terms of financial penalties but damage to reputation can impact the wider business.

These factors have pushed companies to invest more resources in tax management and embedding tax awareness throughout the business. The transformation of tax functions is going to be critical to manage an organisation’s tax risk.

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Fahim Bashir
Partner - Tax & Corporate services
KPMG in Kuwait



CEOs say that ‘the public is looking to businesses to fill the void on societal challenges, such as gender inequality or climate change’



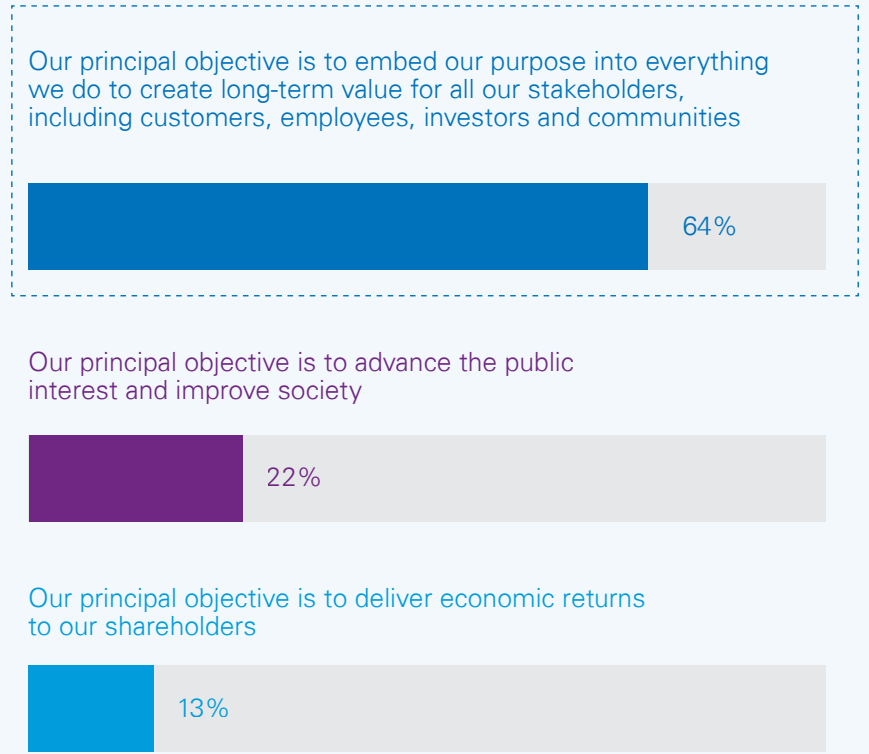
CEOs recognize that large corporations have the resources — both financial and people — to help governments find solutions to pressing global challenges’

Corporate purpose is key to meeting those goals. Now, more than ever, people care about what the companies they buy from stand for. Purpose is connected to a company’s role in society, its impact on the environment, how it sustains long-term value and how it operates within its community. Its answer returns the question: ‘Why is our company in business — and how will it stay relevant?’


CEOs recognize the importance of purpose. For example, our research found that 80 percent said that purpose is central to building their brand reputation. As Chart 4 shows, this reflects the transition of business to multi-stakeholder capitalism, with nearly 64 percent saying that purpose is the defining objective of their business and 4 percent are focused on managing shareholder value.

CEOs are also focused on driving hard value from purpose and embedding it in their business and operating models to drive tangible value and growth. We found that 96 percent of the CEOs said that purpose played an important role in driving financial performance.

Chart 3: Majority of respondents say purpose is the defining business objective for majority of CEOs



Source: KPMG 2021 CEO Outlook



Naser
Aldousari
President and CEO,
EQUATE Group

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ESG Programs are becoming an integral part of future investment, and a requirement to do business with leading organizations.

There needs to be measurable demonstration of commitment and long-term sustainability targets that apply to all departments in a business.

”

Tell us how you see ESG programs impacting Kuwait's economic recovery and growth.

As a global producer of petrochemical products and a significant contributor to the communities we operate in, we continue to adopt industry best practices and environmental, social and corporate governance (ESG) programs to create value, reduce our carbon footprint, and maintain a positive impact on society.

ESG Programs are becoming an integral part of future investment, and a requirement to do business with leading organizations. There needs to be measurable demonstration of commitment and long-term sustainability targets that apply to all departments in a business.

We continue to invest in our people, our operations, and communities and our expectation is that our partners do the same. The most recent edition of our bi-annual sustainability report highlights our progress in moving to renewable energy, our commitment to environmental sustainability, and our various local partnerships with whom we are working to reduce energy consumption and provide more sustainable alternatives. In addition to Kuwait's economic diversification opportunities, sustainable business models will gain access to funds and partnerships with more leading organizations globally.

Do you think that new partnerships and M&A will have a role to play in helping organizations in Kuwait return to normalcy?

“Partners in Success” highlights our commitment to fostering mutually beneficial relationships and outcomes with and for our stakeholders, whether customers, suppliers, investors or communities. This has served us well during our growth years and even more so during the pandemic where the strength to weather the volatilities and challenges extended far beyond organizational reach. Our value chain continued to work effectively and efficiently, our operation continued to function and our integrated supply chain continued to ensure delivery of our products and services across geographies.

Organizations in Kuwait can benefit greatly from alliances, partnerships, and even M&A to leverage resources,

capabilities, and access to a number of international markets. In our experience, new partnerships are strategic initiatives can be used to expedite the implementation of organizational transformation.

Organizations are resorting to a more/fully digital work ecosystem. What is EQUATE's stance on that?

The applications of the digital work ecosystem in our industry are far-reaching. The past two years have accelerated the adoption of many solutions that have been existent for years, but not utilized, and have a newfound appreciation levels for the interaction with customers, suppliers, and cross-functional teams. While the learning continues to evolve, we can all agree that a significant mindset shift will occur. As recovery from the pandemic continues, we will see a new normal emerging which we will assess to decide what works best for our business.

Globally, industries have recognized digital technology's enabling role in driving innovation, boosting efficiency, and generating development. We've seen a majority of businesses shift to a work-from-home model in order to remain operational and support customers. Digitization allows transformation across many business functions, and provides the basis for future value creation.

Businesses in Kuwait and in the GCC are leveraging digital technology to provide new opportunities for competitive advantage and value creation. At the macro level, governments throughout the GCC have recognized the economic and social benefits of digitization, and established ambitious plans and goals, such as Kuwait Vision 2035, to harness digitization and elevate its standing as a regional financial, commercial, and cultural hub.

Do you feel that organizations that are more inclusive and diverse have an edge over the others in terms of driving progress?

EQUATE Group's success starts with our people, playing a key role in driving the petrochemical industry towards a sustainable future. Diversity and inclusivity enrich our organization's knowledge and expertise to provide a broader perspective on the growing global economy.

We believe in Diversity and Inclusion as a competitive advantage that contributes to our organization's long-term success. In 2019, we implemented the ELEVATE program, a program dedicated to providing all employees with equal access to resources and opportunities, empowering women to achieve their full professional career potential, and inspiring both men and women to become advocates, change-makers, and leaders. The program has accomplished several achievements in the last two years, including increasing the number of female production engineers at our manufacturing sites in Kuwait.

Our Kuwait operation has also reached a record high of localization, an important element of our local job creation and the development of key capabilities and skillsets.

Organizations are starting to embed a sense of purpose in everything they do to create more value for their stakeholders. Do you think organizations in Kuwait will benefit by creating more value for their stakeholders?

Absolutely. Our purpose is to provide safe, reliable, world-class products and solutions that serve as the basis for everyday consumable products, and contribute to sustaining a better world. A sense of purpose on a corporate level drives an engaged staff, builds confidence with customers, and allows greater integration with our communities.

Leading by example through best business practice, EQUATE's investments in operational excellence and sustainable development have earned it international recognition. The organization's Sustainability Strategy, focusing on 16 strategic initiatives, aims to have been achieved by the year 2025. These initiatives are divided into building a sustainable work and operational environment, innovating for a renewable and sustainable energy industry, and positively impacting the environment and local communities.

Our commitment to who we are and what we represent is evident in our Responsible Care (RC) 14001 Management System certification, that integrates the Responsible Care® Management System (RCMS®) and ISO 14001 into a single framework.

Accelerating growth and the digital agenda

Optimism is high, with 96 percent of the CEOs confident in their own company’s growth prospects and agree that inorganic strategies will be key to achieving this ambition:

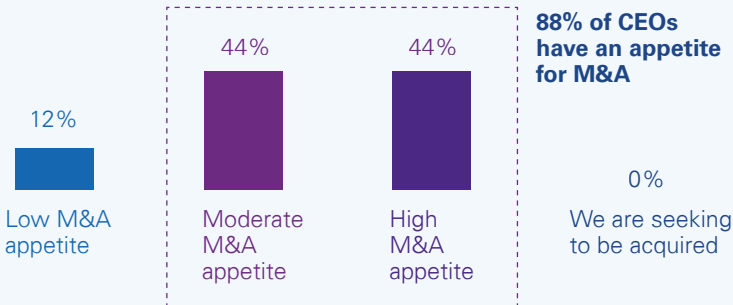
72% say they will **primarily use inorganic tactics**, including strategic alliances with third parties (the focus for 16 percent), M&A (32 percent), joint ventures (20 percent) and outsourcing (4 percent).

28% make organic growth — **such as innovation and R&D** — their most important route to growth.

As CEOs look to react quickly to how markets have changed during the pandemic — particularly digital-driven changes in consumer preferences — M&A will likely be key to quickly building new capabilities and capitalizing on growth opportunities.

Overall, 88 percent of the CEOs say they are looking to make deals in the next 3 years. Among that number, 44 percent characterize their M&A appetite as ‘high’, with CEOs likely to undertake acquisitions that will have a significant impact on their organization.

Chart 4: CEOs are planning to launch aggressive M&A plans as well as organic growth over the next 3 years



Source KPMG 2021 CEO Outlook



“Strategic partnerships and M&A are seen as key enablers for acquiring capabilities, driving growth and diversifying portfolio.

Market is expected to witness significant transaction activity in the near future, and introduction of transaction models such as SPACs, (popular in other markets) may provide the necessary impetus.

”
Ankul Aggarwal
Partner - Deal Advisory
KPMG in Kuwait

M&A will likely be particularly important for driving digital innovation and acquiring technology capabilities. The acceleration in digital technologies we have seen during the pandemic has meant that markets now operate more quickly. There has been a reset in the velocity of business, in areas such as customer behaviors, and CEOs need to ensure their companies are plugged in to this new dynamic and leading the pack.

CEOs are shifting toward a cloud-first mindset, with more than half saying that they intend to partner with a third-party cloud technology partner in the next three years in pursuit of their growth objectives.

The research shows that CEOs are embracing the need to push the boundaries of their business:

60% percent say ‘**we have an aggressive digital investment strategy**, intended to secure first-mover or fast-follower status’

80% percent say, ‘**we need to be quicker to shift investment to digital opportunities** and divest businesses that face digital obsolescence’



“Business environment has never been more aggressive and market dynamics are changing in no time.

As such, companies are required to respond to changes faster by reconfiguring their internal capabilities and to leverage on digital transformation to achieve competitive advantage.

”
Majid Makki
Director, Head of Management Consulting and Technology Advisory

KPMG in Kuwait



Anas Meerza

Group CEO,
National Technology
Enterprises Company

“

I think it's inevitable that digital transformation will be the way moving forward and we have already seen the Kuwaiti government move from a traditional in-person business model to one that is primarily online.

”

Could you please elaborate on the role that technology and innovation will play in Kuwait's road to economic recovery and what aspects of it will be key in the years to come?

I think the pandemic has highlighted pain points within nations and the need for technology moving forward. If there was any doubt about the necessity of technology and how we do simple everyday things from running a business to educating our kids, the pandemic surely has erased it. Companies and organizations that were more technologically advanced handled the challenges that the pandemic brought much more efficiently than those that weren't.

I think it's inevitable that digital transformation will be the way moving forward and we have already seen the Kuwaiti government move from a traditional in-person business model to one that is primarily online.

The result is higher efficiency and a better experience for both the government and the citizens of Kuwait; economic recovery will only be possible if we continue to embrace technology and innovation.

Cyber security was identified as one of the most critical threats for organizational growth. What is your organization doing to overcome cyber security risks and how prepared do you think Kuwait is in this regard?

Cyber security has become a critical threat because the world is moving towards digital transformation. As NTEC, we have sought out partnerships with CITRA and world-renowned companies that specialize in cyber

security, not only to support NTEC but also to train the national workforce and raise awareness on cyber security.

At NTEC level, cyber security is an ongoing task at the top priority of all tasks and we continue to upgrade our cyber security measures to protect our data and ensure business continuity.

What measures is your organization taking to help combat climate change?

Over the last few years, we have worked on several projects that we are hopeful will have a positive impact on climate change.

For example, we initiated a project to install solar panels in the parking lots of co-ops all around Kuwait.

This would allow the co-op's energy consumption to come from these solar panels. Another example is our House 2035 project, which is a prototype of a home that is extremely energy efficient. We hope that this prototype will become the norm as we move towards consuming renewable energy.

What are your thoughts on organizations incorporating ESG into their business strategy to boost financial returns, and where does NTEC stand on that?

I think it's healthy and quite necessary. It pushes companies to question their ethical status and the environmental, social, and governance impact that their practices have, not only externally, but also internally.

Finally, do you think bringing about social changes in terms of diversity, equity and inclusion will help organizations drive better progress?

Absolutely. There are studies out there that prove that diversity and inclusion in the workplace produce better results. It increases employee engagement and trust, allows for new perspectives, and gives space for innovation which ultimately leads to better decision-making and improved performance.



Trusted purpose

Today, corporate purpose is a business imperative. Key stakeholders — from customers to institutional investors — expect companies to have a positive impact on a range of areas, from driving diversity to helping protect the planet.

But a common challenge with purpose is how CEOs can turn it from a statement of intent to real actions by executing on their high-level commitments. Focusing on a bold ESG program can help identify key opportunities and challenges and allow CEOs to demonstrate how they can deliver on their purpose.

Putting people first to drive societal return

Over the past 18 months, the world not only got faster as digital acceleration took hold, it also became more divisive and fractious. Economies around the world are not only talking about finances but there has also been an increased focus toward issues, such as climate change, diversity, equality and inclusiveness, which has a broader impact on society.

CEOs are cognizant of this public mood and the research shows

they are embracing the role that companies can play in driving total shareholder return and total societal return.

Today, we see a major focus on the S in ESG, with 96 percent of the CEOs saying, ‘our response to the pandemic has caused our focus to shift toward the social component of our ESG program.’

But the research also found a profound tension between the accountability that CEOs feel they have for driving progress on the social dimension of ESG and their ability to meet expectations in the critical area of diversity. On one hand, 76 percent of the CEOs said they will be increasingly held personally responsible for driving progress in addressing social issues.

But on the other hand, 44 percent admitted that with public, investor and government expectations of diversity, equity and inclusion (DEI) rising so fast, they may struggle to meet expectations. In addition, 48 percent of the CEOs noted the global pandemic’s negative impact on women in the workplace has made it difficult to achieve their gender parity goals at a leadership level.



CEOs said they will be **increasingly held personally responsible for driving progress in addressing social issues**

Driving progress on DEI within organizations will likely require action in two areas. First, CEOs will need to actively listen to employees to understand what aspects of DEI are important to them. Secondly, they will then need to set clear and measurable targets to achieve progress against those priorities.

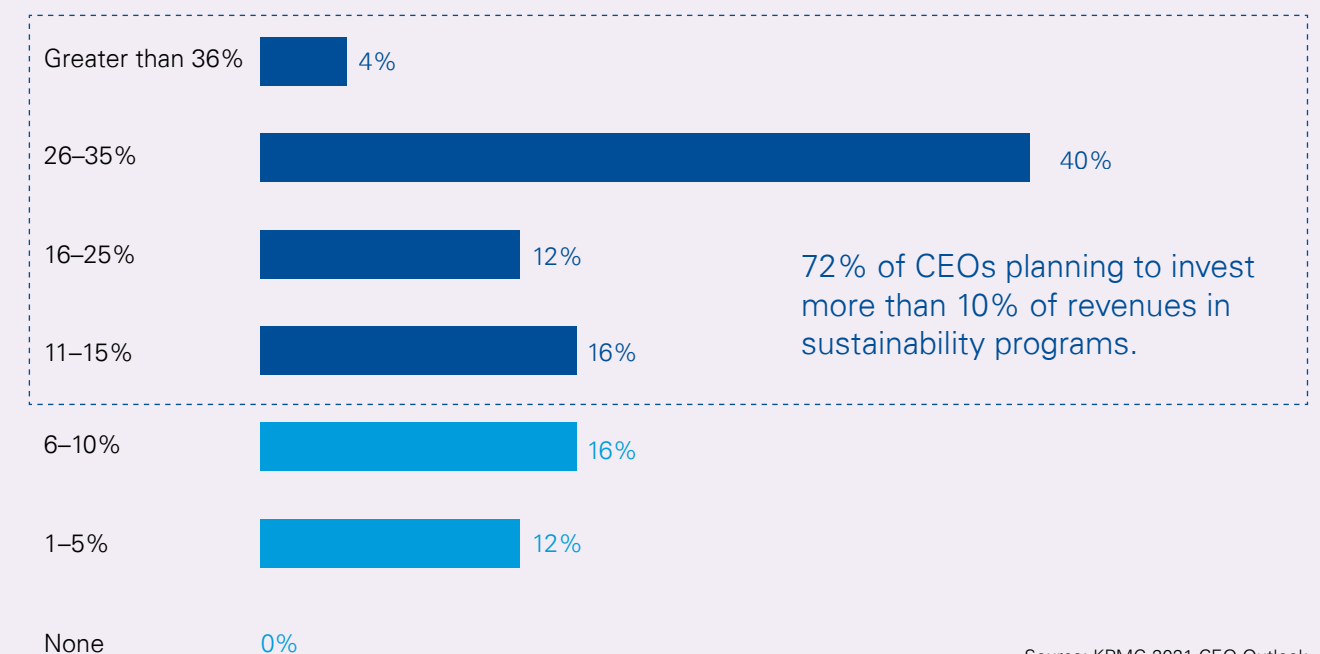
Collaborating to power sustainability

Action to limit climate change and reduce carbon emissions in the race to net zero has never been more important. The latest analysis from the UN’s Intergovernmental Panel on Climate Change (IPCC) — released in August 2021 — amounted to a ‘code red for humanity’, predicting that global warming will hit 1.5°C by 2040.

Making progress on addressing sustainability issues, including climate change and the decarbonization of the economy, will require strong collaboration between business and government.

As Chart 5 shows, CEOs are looking to devote significant capital to becoming more sustainable, with 72 percent planning to invest more than 10 percent of revenues in their efforts. (continued)

Chart 5: Percentage of revenue CEOs look to invest in sustainability programs



Source: KPMG 2021 CEO Outlook

But at the same time, they are also stressing that progress on sustainability and climate change requires equally strong government commitment:



say **government stimulus is required to turbocharge climate investments** being made by the business community



say **'world leaders at COP26 must inject the necessary urgency in the climate change agenda'**

Connecting ESG strategy with financial returns

The public is demanding more ambitious ESG goals — but have CEOs taken the necessary steps to bring them to life?

Today's connected CEOs are those that can deliver on a trusted purpose by responding to increased societal expectations while driving sustainable business performance through digital innovation. Neither can be done in a vacuum as 76 percent of the CEOs say that their digital and ESG investments are inextricably linked. As CEOs plan to devote significant capital to becoming more sustainable, it is important that their digital investments are plugged into their ESG needs.

But while CEOs believe that social and environmental priorities are key, they are less convinced about making the connection between ESG programs and hard results, as only 20 percent of the CEOs believe that their ESG programs will improve financial performance as opposed to 56 percent of the CEOs who believe that ESG programs may reduce financial performance of their companies. Therefore, the findings indicate that more needs to be done to connect ESG strategy with financial returns.



“It is good to see that CEOs are looking to devote significant capital to becoming more sustainable, with 72 percent of CEOs planning to invest more than 10 percent of revenues to their efforts to become sustainable.

CEOs need to include investment in digital solutions to successfully negotiate sustainability opportunities and risks and to discover how ESG initiatives can directly drive revenue growth through innovative new products and services.

”
Karen Watts,

Partner - Risk and Head of Corporate Reporting
KPMG in Kuwait

CEOs may perceive their current ESG programs to be more about compliance and risk management and that there is still much more that needs to be done before they are convinced their ESG programs are reshaping the business and driving new growth. Secondly, CEOs feel their organizations are struggling to report on and communicate ESG performance in a way that matters to key stakeholders, such as investors.



CEOs stated their response to the pandemic **has caused their shift toward the social component** of their ESG program.



Say their **digital and ESG investments** are inextricably linked.



CEOs said that with public, investor, and government **expectations of diversity, equity, and inclusion rising so fast**, they may struggle to meet expectations.

When we asked CEOs to identify the one critical challenge that was undermining their ability to communicate ESG performance to key stakeholders, the standout challenge (selected by 44 percent of respondents) was that they 'struggle to tell a compelling ESG story'.

Getting this right is critical as investor scrutiny of companies' ESG performance is intensifying. 76 percent of the CEOs are seeing increased demands from stakeholders — such as investors, regulators and customers — for increased reporting and transparency on ESG issues.



“ESG is growing in importance and is driving businesses to embed these factors into their core strategy and operations in order to remain relevant to the evolving expectations of customers and investors, thereby demonstrating a contribution to the society that extends beyond traditional financial measures.

”
Imran Shaik,
Director - Deal Advisory and Head of Infrastructure
KPMG in Kuwait



Adeel
Shahid

Chief Financial Officer,
Arzan Capital
(Holding) Limited

“

The expansion of the businesses along with strong recovery in the international oil prices will fuel growth of the local economy in the post-pandemic era.

”

Your services cover various sectors, such as Real Estate, Finance and Commerce, among others. Based on that, how would you describe Kuwait's economic recovery and growth in the post-pandemic era?

Just like the rest of the world, Kuwait's economy was not immune to the pandemic. However, we have started to see a strong recovery in various sectors in the last few months. The initial phase of recovery was primarily driven by the pent-up demand which has positively changed the spending pattern of the customers.

We feel that the recovery phase of the economy will soon be over with the start of the growth phase. Some of the businesses already devised an aggressive plan to expand organically and inorganically not only in Kuwait but also in the region and other parts of the world.

The expansion of the businesses along with strong recovery in the international oil prices will fuel the growth of local economy in the post-pandemic era.

We have no doubt that the Kuwait economy has a real potential to grow further in the coming months and years to come.

Arzan Financial Group was the outcome of a merger of three companies, and now organizations worldwide are taking the same route to boost their growth and become more digitally capable. What are your thoughts on it?

We believe that merger and acquisition is a form of a partnership which strengthen the organization, bring efficiencies, and build a platform for

a future growth as it combines the business expertise and resources.

In this era, merger and acquisition is becoming a norm, particularly due to fierce market competition. Even sizeable organizations are now looking to acquire / partner with the tech start-ups to scale up their business and provide solutions to their stakeholders.

This not only saves a lot of in-house research and development costs, but also provides companies with well-tested and developed digital solutions along with a pool of experienced and talented individuals that can further elevate the business.

As organizations build business back, they are starting to step on social issues and are looking to incorporate ESG into their business strategy. How do you think this may impact their profitability and growth prospects?

ESG is the heart of a modern business strategy and business growth is very much connected with the ESG related matters.

We firmly believe in a strong Corporate Governance culture in the business. Though, this may have an effect on the profitability of the business in the short-term, but it has proven to be a vital foundation of a successful growing business.

Similarly, we have seen that the business strategies and products that are developed take into consideration the environmental and social impact on the society, have a positive effect on business as a whole.

Lastly, how do you think Kuwait compares to the rest of the world in the race to digitalization, and what do you expect its outlook to be in the near future?

Digitalization in Kuwait has not only brought cost efficiencies but also positively changed the customer experience. It is helping us in building a solid foundation for future growth in various aspects of our economy and everyday life.

The pandemic has really accelerated the digitalization growth in Kuwait, just like the rest of the world. This is clearly evident in the Public Sector which has led the initiatives on this front.

We have also seen that the Private Sector in Kuwait is investing heavily in digitalizing various business processes to provide exceptional experience to their customers. We believe that given what the life in the pandemic has shown us, digitalization will continue to be an area of focus for the businesses for the next few years and we expect significant investment in this domain.



Osama Jawad Bukhamseen

CEO and Chairman
Al-Tanmiya Realty Development co.

“

I am glad to announce to you that our organization was appointed by the Government of Kuwait to develop the AlShagaya project. We have recently accomplished generating 70 megawatts of renewable energy, and we plan on achieving 4,500 megawatts by 2030, which would comprise about 15% of Kuwait's power.

”

What is the impact of the Pandemic on the Real Estate Sector in Kuwait ?

First of all, I would like to thank KPMG for allowing me to be a part of the KPMG 2021 Kuwait CEO Outlook. Second of all, I would be glad to participate and help add as much knowledge possible to the report.

Definitely, The COVID-19 pandemic has impacted Kuwait and the rest of the world specifically in Kuwait, the real estate sector was one of the majorly affected sectors as organizations were shifting to a work-from-home business model. Most businesses started investing in upgrading their IT backbone to enable employees to function remotely.

This had a negative effect on the demand for office-space. At the moment, we are monitoring how this shift may impact the sector and the market further.

What are the main challenges the Real Estate Sector is currently facing in Kuwait?

We are very much involved in the real estate sector, especially in the retail and office space. We believe that we are not only responsible for ourselves but also the economy. That being said we thrive to excel in finding innovative ways of developing smart projects, projects that create an environment that incubates businesses and assists them on their quest for success.

I have invested the majority of my time and effort in making improvements in this sector. I have enrolled in a reputable academic program-Dprof to further research the effect of COVID-19 on the office space sector. I am in the process of completing a thesis that highlights how work-from-home has impacted both the mental health of employees in addition to demand and supply determinants.

I believe such studies will be of great value for us and the market.

Yours being a real estate company, you have to work closely with the environment. And, now that we are moving to a post-pandemic era, how important do you think the incorporation of ESG programs in the growth strategies of organizations will be?

Kuwait has been a leader when it comes to adding renewable energy sources and eco-friendly components/ projects, or what we call Green Design components, to the market and the private sector has been investing greatly in it.

Government bodies, such as the EPA in Kuwait are pressing further for architects and planners to include Green Design components in their projects.

I am glad to announce to you that our organization was appointed by the Government of Kuwait to develop the AlShagaya project. We have recently accomplished generating 70 megawatts of renewable energy, and we plan on achieving 4,500 megawatts by 2030, which would comprise about 15% of Kuwait's power. I hope many countries follow the same path.

As an Industry leader, what do you think is the future of the Real Estate Sector in Kuwait?

After the COVID-19 crisis, retail and office space sectors were primarily affected and we witnessed a lot of downsizing requests from a majority of the organizations as a result of the shift to remote working. Real estate developers are now considering how they can readjust considering the changes in the market and incorporate it into their upcoming projects.

While I am positive that the future will be promising when Kuwait returns to normal, it is better that the designers are prepared and flexible to adjust to any future changes.

We, at Tanmiya, are more focused on smaller organizations, entrepreneurs, etc. We are introducing newer office buildings that are designed to meet the requirements of young business owners who suffered a lot during the pandemic.

The Government has been quite supportive in this time of great uncertainty, which has resulted in the formation of numerous Kuwaiti and non-Kuwaiti start-up businesses, which we are looking to attract into with our newer buildings that are designed to host such business models.

Another noticeable impact of the pandemic on the real estate sector was the downsizing of malls following the surge in the e-commerce sector and growing digitalization, and we plan on tackling them using newer concepts, such as our latest innovative project, The Business Lagoons.

Hopefully, these new concepts will see life, and I believe the real estate sector must be smart to adapt to these changes in a positive way.



Digital agility

Building a flexible future of work

With people returning to places of work, and governments increasingly looking for business to lead a return to normal, CEOs are focusing more on flexibility rather than wholesale changes to office-based work.

- Only 8 percent of the CEOs plan to downsize their physical footprint or office space because of the pandemic and changing working habits. In addition, 28 percent said that their organization will have most employees working remotely at least two or more days a week.
- 48 percent of the CEOs are recognizing the demands created by a rapidly evolving future of work and will be looking to invest in shared office spaces to allow for increased flexibility. As well, 32 percent indicate they will look to hire talent that works predominantly remotely, seizing the opportunity to expand their reach into a wider pool of talent.

Disrupting the disruptors

CEOs recognize that digital lies at the heart of how companies can create new sources of value. While this is an opportunity, it is also a risk: the acceleration of digital technologies means that business models that have existed for years can quickly become obsolete and irrelevant.

The research shows that CEOs are embracing the need to push the boundaries of their business and question long-held assumptions of what it will take to succeed in the mid- to long-term. When we asked them what action they planned to take in pursuit of their growth objectives, more than half (52 percent) said they intended to invest in disruption detection and innovation processes (see Chart 7).

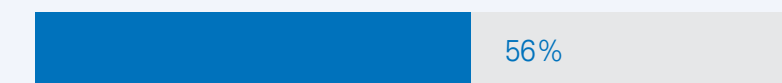
This is an essential step to enable teams to think disruptively: questioning historical assumptions and traditional mindsets and brainstorming new ideas for a vastly different market environment. And rather than waiting to be disrupted by competitors, 68 percent of the CEOs said they are actively disrupting the sector in which they operate.

Chart 6: CEOs using a range of digital tactics to achieve their growth objectives, with a focus on building disruption and innovation capabilities

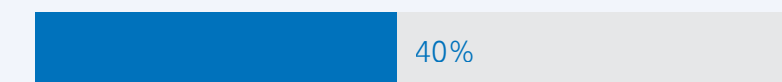
Increase investment in disruption detection and innovation processes



Join industry consortia focused on development of innovative technologies



Assess my company's culture and values



Partner with third-party cloud technology providers



Make products and services available via an online platform provider (e.g. social media platforms)



Source KPMG 2021 CEO Outlook




“There’s technology based disruption across every sector we work. This has impacted the advisory firms like ours as well.

Our clients are asking us to move away from traditional Audit methods & introduce technology based audits.

In the last 18 months, we have seen a significant increase in the demand for KPMG CLARA, which is an AI based, proprietary tool by KPMG.

”
Harisha Shetty,
Director - Audit
KPMG in Kuwait



**Nasser
Al-Humaidi**
Co Founder & Chief
Executive Officer
Upayments

“ It is my belief that if the government decides to shift towards cleaner sources of energy, private companies will be the first to step up and indeed prioritise this.

And this in turn will be reflected on the country's GDP and create new sources of revenue.

”

Digital disruption has been creating quite a stir globally. Talk us through how you think it might impact Kuwait's economy?

It is fair to note that digital advancements have already impacted Kuwait's economy.

COVID19 especially, forced companies to turn to digital solutions to survive and continue operating their businesses. In terms of payments, Kuwait has already seen an increase in online transactions. In the first quarter of 2021 alone, 6.2 KWD Billion was spent online – jumping from 2.7 KWD Billion from the same period in 2020 (a 130% increase). This is aided by the high online penetration of youth – the majority.

Banks too, on a local level are now innovating and increasing their attention towards online payments. Although, once open banking becomes a reality in Kuwait – we will see a considerable shift and action towards the online payments ecosystem.

One of the measures that organizations are taking to become more digitally agile is by forming new partnerships. What are your thoughts on it?

At UPayments, we believe in the crucial role of partnerships. As such, we have formed partnerships and integrations with over seven 3rd party providers in different fields. This stems from our promise of building and providing a fully encompassing ecosystem.

Simply put, this is because we believe in specialisation: every partner is specialised in what they do best, so the logic dictates that their sets of knowledge precedes ours in the sector they operate in.

What kind of a role do you think social commitment is going to play in an organization's culture in the future?

Each company and person is responsible to provide and give back to society. As an organisation, to contribute and give back to society – the global society – which we are a part of, is a necessity, as it advances the mindsets and empowers its people. In the past, UPayments has taken up social commitments such as collaborating with UNCHR, as well as campaigning for the people of Lebanon during their terrible ordeal.

At this moment, UPayments is now advocating for the cause of public transport in Kuwait, by sponsoring and building a bus station through our cooperation with the local initiative Kuwait Commute.

Kuwait has been no stranger to the challenges posed by climate change. How important do you think it is for organizations in the country to put this threat on top of their agendas?

The reality in Kuwait is that our main source of revenue comes from oil, and we live in a welfare state whereby such initiatives do not come to fruition without the support of the Government.

It is my belief that if the government decides to shift towards cleaner sources of energy, private companies will be the first to step up and indeed prioritise this. And this in turn will be reflected on the country's GDP and create new sources of revenue.

At UPayments, we encourage employees to bring their own non-plastic water bottles, recycle stations in our offices to support the local initiatives in this regard.

Based on the recent global developments, how confident do you think CEOs in Kuwait are with regards to their growth prospects?

From a digitalisation aspect, growth prospects are already improving. To operate and run a business, to make crucial decisions, to manage employees, all requires you to be connected in our digital age.

But this in turn increases growth prospects from other areas: you can hire top talent all over the world, as remote work is becoming the norm. You can set online meetings with people and entities globally – from the comfort of your seat. That alone speaks volumes towards where we are headed.

Finally, CEO's of the older generation should truly listen to younger upcoming talents and give them the chance and space to innovate and create - because this is where all growth stems from.

Partnering for transformation and resilience

Companies across the world are operating as part of digital ecosystems collaborating with partners, suppliers and even competitors to drive operational performance, identify new digital revenue streams and create compelling digital customer experiences that deliver on an organization’s purpose.

CEOs recognize the importance of collaboration and a fluid approach, with 96 percent saying, ‘new partnerships will be critical to continuing our pace of digital transformation’.

But as they digitally connect their systems and share data with partners, they need to make sure systems and data — especially customer data are secure.

Cyber security threats limit growth and create boundaries to digital development and inclusion. Purpose-led, sustainable cyber security practices help digital ecosystems thrive, bounce back from attacks and instill confidence that a business is well governed.

The research shows that CEOs recognize the importance of building cyber security into collaborations and ecosystems:



“Organizations realize that technology is no longer just an enabler but a potential source of competitive advantage and can potentially disrupt an industry’s status-quo. Businesses across sectors would need to eventually become a participant in the digital ecosystem.

Hence, it has become imperative for companies to invest in developing digital capabilities and make necessary adjustments to their business strategy/ model to remain competitive in this new normal.

”
Harsha Prakash,
Associate Director - Deal Advisory
KPMG in Kuwait



CEOs in Kuwait say **they are well prepared for a cyber attack.**

With 80 percent of organizations saying they are well prepared for a cyberattack, CEOs are focused on ensuring cyber security extends beyond the four walls of the enterprise.

52 percent of the CEOs say focusing on strengthening governance around operational resilience and your ability to recover from a major incident and establish a strong digital and cyber risk culture in the organization are the most important steps they are taking to build digital resilience.



“With more CEOs recognizing remote working and shared office environment, workforce of organizations with regional offices would be able to operate with fewer physical constraints.

However, with remote working, comes more dependence and reliance on business and enterprise applications, pushing organizations to be more digitally agile and mature.

”
Saqib Syed,
Associate Director - Management Consulting
KPMG in Kuwait

Reflections on the way forward



There are four action areas that today's connected CEOs can focus on as they look to grow and manage the ongoing impact of the pandemic.

Growth and resilience

Many organizations coped extremely well with the pandemic, showing resilience as they dealt with notable change, uncertainty and disruption. But resilience will also be key to economic recovery. For example, it will be key to managing climate risk and other threats as well as coping with ongoing digital disruption.

Along with specific interventions — from managing supply chain risk to building cyber defenses — CEOs will need to surround themselves with resilient people. There are two priorities:

The research shows that CEOs recognize the importance of building cyber security into collaborations and ecosystems:

- Make sure employees have the digital tools, data and skills they need to collaborate across the organization, giving them the ability to respond quickly and creatively to emerging threats.
- Resilience is also about having a team of motivated and engaged employees who are determined in the face of crises. This means energizing them behind a compelling purpose.

ESG and financial value

The research shows there is still a significant number of the CEOs who remain unconvinced about the positive financial impact of ESG programs. This reflects that ESG programs serve many goals.

For example, they can ensure the organization is compliant with regulatory standards, or they can contribute to ESG issues that are critical to local communities, such as diversity and equity. To help ensure ESG also drives financial growth, CEOs need to focus on two areas:

The research shows that CEOs recognize the importance of building cyber security into collaborations and ecosystems:

- Identify the critical ESG investments that are necessary to drive long-term value, such as decarbonization efforts. This needs to include investments in digital solutions to address major sustainability opportunities and risks. As well, set out how ESG initiatives can directly drive revenue growth through opportunities for innovative new products and services.
- Establish metrics and standards for reporting on ESG performance, which sets the ambition level and ensures the company can communicate a compelling ESG story to investors and other stakeholders

Digital and innovation

Covid-19 pandemic has accelerated digital growth in Kuwait. CEOs should take this favorable wind to build upon the digital infrastructure for their organization. The results indicate that CEOs are putting digital and innovation as their top agenda.

However, this should not be limited to large organizations. To ensure that there is an increased focus on innovation, CEOs need to focus in these areas:

- Systematic investment in technology to improve efficiency and a long-term plan to build cyber resilience for the organization. Investment in cloud-based technologies to infuse agility in operations
- Create an environment of digital and innovation in organization by doing technology focused hiring and creating a learning plan for all employees to imbibe technology

The future of work

CEOs recognize that the future of work is about more than where people are based. High-performing organizations are those that can flex their technology muscles and their ability to upskill their people.

This means having a motivated and highly skilled digital workforce who operate with speed and agility.

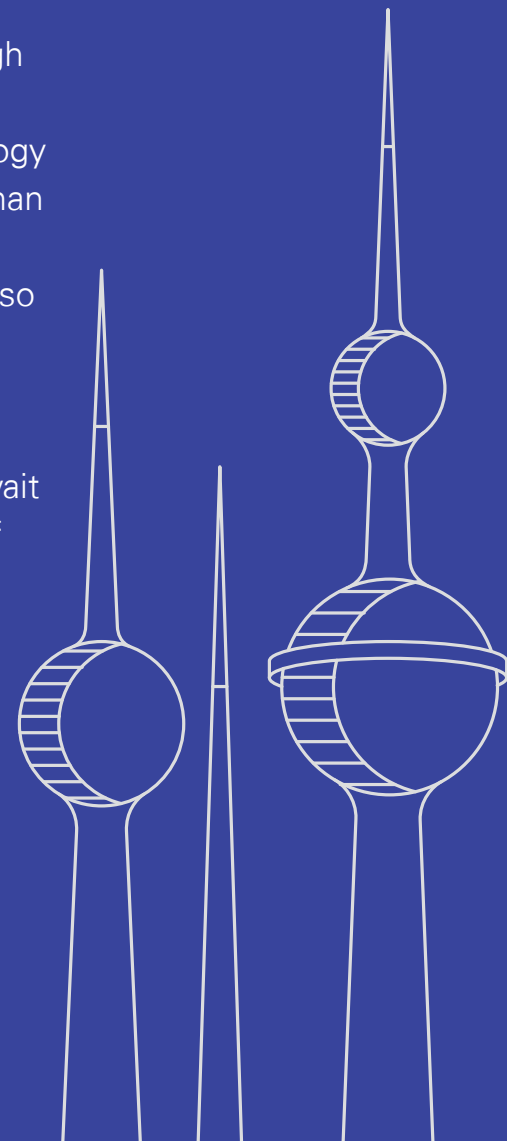
- CEOs should ensure that the decisions about the future of work deepen the extent to which employees are engaged and committed to the company. Leaders are obviously keen to see their people return but many employees are still anxious to hang on to those areas of work-from-home that are advantageous. Active listening, empathetic communications and a commitment to finding the right balance in the long-term will be key.
- CEOs should invest in digital skills as well as technology modernization. This is not simply so that their people can use these new tools, but to help foster a digital-first culture where people naturally look to integrate technology into their work.

In summary

Today's CEOs are pushing toward growth and want to get back to the pace at which their organizations were moving 18 months ago. They are people-centric and purpose-driven with brand value at the heart of their operations. They want to deliver on their purpose commitments, making the ESG investments and changes necessary to address inequity and launch the race to net zero.

They look to drive growth and prosperity through digital agility and business model innovation, while aiming to ensure that aggressive technology investments are matched by investment in human capabilities and skills. They pursue purpose to drive profitability and long-term growth while also recognizing their wider responsibilities to the planet and people.

Over the course of the next year, KPMG in Kuwait will continue keeping a pulse on the mindset of CEOs by publishing similar insights. As Kuwait slowly enters what we would call as pre-pandemic levels of normalcy, the hopes are high and we are excited to be part of this journey of economic recovery.



Methodology and acknowledgments

The KPMG 2021 Kuwait CEO Outlook provides an in-depth outlook from 30+ chief executives of major organizations on enterprise and economic growth in the country.

This latest research is a part of the KPMG 2021 Kuwait CEO Outlook series, which offers a unique perspective on the mindset shift of CEOs over the lifetime of the COVID-19 pandemic and looking forward to post-pandemic recovery.

CEOs are drawn from companies with annual revenue over US\$500 million and a third of the companies surveyed have more than US\$10 billion in annual

revenue, with no responses from companies under US\$500 million.

The July/August 2021 survey includes 30+ CEOs, out of which 25 took the survey through a questionnaire and ten gave their qualitative opinions on various questions ranging from economic impact, recovery, ESG and the future of work.

We are grateful to all the CEOs who took the time to help make this report possible.

NOTE: Some figures may not add up to 100 percent due to rounding.

KPMG would also like to thank the following for their contributions

- **Shashi Shankar Ghosh**
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KPMG in Kuwait

KPMG in Kuwait operates through its member firms KPMG Safi Al-Mutawa & Partners and KPMG Advisory W.L.L., providing a full range of audit, tax and advisory services to a portfolio of clients which include major corporations, government institutions, public sector agencies, and not-for-profit organizations.

With over 175 employees and eight partners based in Kuwait, we form part of a global network of 146 countries and territories and have more than 227,000 people working in member firms around the world, drawing

on global industry insights to complement our strong local knowledge.

We believe in inclusiveness and diversity in the workplace represented by our workforce. We have employees from 20 different countries with the ability to communicate in 12 different languages providing a true global outlook.

KPMG is committed to promoting gender equality at all levels of the organization, including the executive committee responsible for strategic decision-making



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