CFO Outlook Survey

April 2023

Nigeria

KPMG CFO FORUM

home.kpmg/ng

Foreword

The KPMG Chief Financial Officers (CFO) Forum is a platform that offers CFOs the opportunity to discuss issues of common interest and foster interaction with peers across sectors/industries, relevant government regulators, and policymakers.

The KPMG Annual CFO Outlook Survey offers insightful information on how CFOs and organisations view the prevailing business environment, their expectations of government/policymakers, and the responses to their business challenges.

In the last twelve (12) months, organisations in Nigeria have continued to experience numerous challenges, which has negatively impacted their businesses. These challenges include volatile and inadequate FX; high and rising cost of funds, energy, transport and distribution costs; constrained consumer demand in a high inflation environment, exacerbated by the cash scarcity linked to the recent Naira redesign policy. Furthermore, heightened political and economic uncertainty as a result of the 2023 general election appears to have delayed and negatively impacted investment decisions by businesses. Consequently, CFOs have been facing the increasingly difficult task of sustaining business stability, growth and profitability in order to enhance value for all stakeholders.

In this year's survey, we obtained the views of CFOs on the economic outlook and prospects for growth for their respective organisations and industries, including the expected priority areas of focus for government in order to improve the business environment. Also under consideration are key agenda items for CFOs that will most significantly impact the overall effectiveness of their finance function.

Our survey revealed low optimism on the growth of the economy in the immediate term. Respondents expressed much higher levels of optimism for their companies growth and performance in 2023 compared to their industry and the overall economy. One of the major imperatives highlighted for government by the survey is the need to prioritise enhancing the business environment to support existing businesses and encourage new entrants.

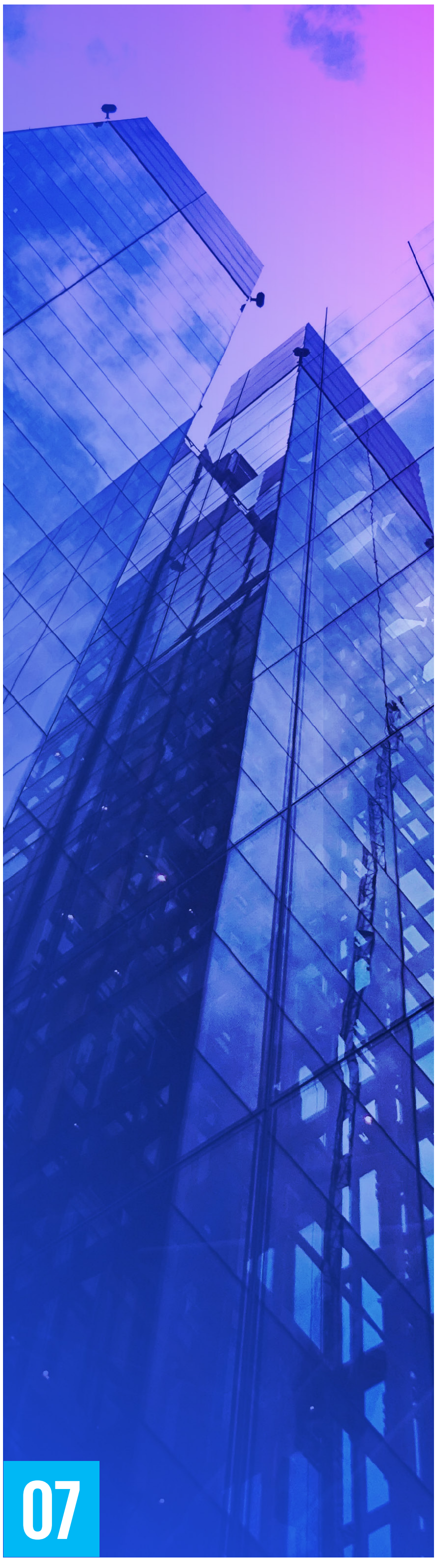
Furthermore, in line with the trend in previous CFO Surveys, the top three areas identified as priorities for the government were foreign exchange stability, provision of infrastructure, and improved security. Likewise, at the organisational level, CFOs continue to identify FX Stability and Supply; Tax, Regulatory & Government Policy direction; and Cost Management as their top three (3) "stay awake" issues. Most of the CFOs highlighted the importance of adopting lean finance principles and capabilities to drive organisational efficiency, improve financial performance, and provide a competitive advantage for organisations operating in Nigeria's dynamic and rapidly evolving economic landscape. Also, standardising and integrating finance processes, leveraging advanced technology, applying data analytics for decision-making, and investing in talent management were all identified as key drivers of success.

We hope you find our 2023 CFO Outlook Survey insightful. On behalf of KPMG, I would like to thank all the CFOs who participated in the survey and those who spared their valuable time to be interviewed. We look forward to engaging with you further on the insights from the survey.

In order to be part of the discussions, please join the KPMG CFO Forum page on LinkedIn via this link: https://www.linkedin.com/groups/12072623/. KPMG's partners and professionals remain committed to providing a platform for articulating issues of concern to CFOs for the improvement of the overall business environment and the finance function.

Segun Sowande
Partner & Head
Strategy & Markets
KPMG in Nigeria

Content



Snapshot

Prospects for Growth in 2023

The CFOs' responses to the 2023 survey suggested that there is less optimism of the prospects for a notable positive change in economic growth development prospects compared to 2022. About 41% of the respondents noted that it is unlikely that the Nigerian economy would experience significant growth in 2023. Uncertain foreign exchange environment, constrained fiscal landscape and ineffective monetary policies, and insecurity were some of the underlying reasons for the mute optimism. Similarly, at the industry level, 48% of the CFOs were confident about the prospects in the industries they operate.

"Stay Awake" Issues

This year, CFOs have identified uncertain Foreign Exchange environment, Tax, Regulatory and Government Policy followed by Cost Management as the top 3 stay-awake issues. Other issues highlighted by CFOs are Inflation, Brain Drain and Talent Retention.

Significant Organisational Growth Opportunities Platforms

The top five sources of organisational growth identified by CFOs include strategic partnerships and alliances, diversified customer penetration platforms, sustainability initiatives, product line expansion, and portfolio optimisation. Strategic partnerships are viewed as the most important source for organisational growth by 39% of respondents.

CFO's Priority Activities

CFOs' activities for this year survey reports centered around cost management – cost of capital, cost of production, cost control and cost reduction. Also, they emphasized spending time on the uncertain FX environment and inconsistent Tax, Regulatory and Government Policy.

Dynamic Tax Environment

Concerns about multiplicity of taxes, aggressive tax collection, and conflicting tax laws, have been raised by CFOs as the Federal Government continues to put more emphasis on increasing the tax revenue to GDP ratio. They reaffirmed that having to deal with multi-layered taxation in the system hurts businesses, especially SMEs (Small and Medium Enterprises). They suggested that the tax administration should be harmonized and made more transparent. 52% of the respondents agreed that their organisation's tax function is ready to deal with challenges arising from today's dynamic tax environment and take advantage of the opportunities.

Effectiveness of Finance Functions

The CFOs' emphasized the importance of adopting lean finance function, principles and practices to drive organisational growth and efficiency. 90% of the CFOs agreed that standardized and integrated finance processes are very important while 68% considered best-in-class technology systems to be very important in driving financial performance and enabling competitive advantage.

Ease of Doing Business

The responses of CFOs' on ease of doing business in this year's survey centered around three major issues - inflation, instability of FX environment, and tax and government policies .These issues if properly addressed, will improve Nigeria's ranking in the global ease of doing business index which currently stands at 131 out of 190 economies of the world.

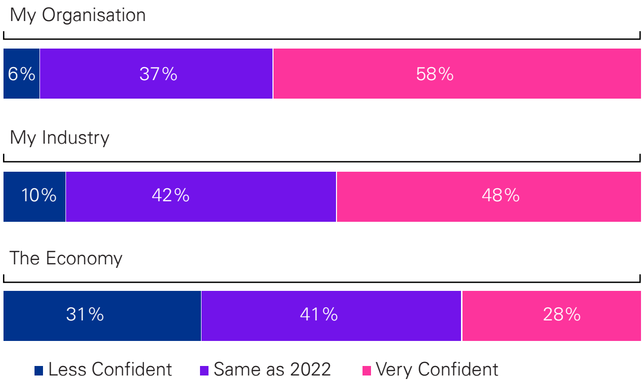
Key Trends Shaping 2023

Section One:

Economic Outlook

Q1

How confident are you about the prospects for growth in the following areas for 2023?



The CFOs' responses to the 2023 survey revealed that majority of the CFOs believe that prospects for growth in the Nigerian economy would not in any way be different from 2022. 41% of respondents believe there would be no significant growth in the Nigerian economy in 2023 while 31% expect a decline. Some of the underlying reasons identified by the respondents include

- Uncertain foreign exchange environment
- High inflation rate
- Delay in fuel subsidy removal
- Insecurity
- Tax and regulatory posture

At the industry level, 48% of the CFOs surveyed expressed confidence in the growth prospects of their industries with the financial services industry (FSI) respondents being particularly more optimistic than respondents from other sectors.

CFOs generally noted that the outcome of the 2023 general election and the resulting change in government will be an opportunity for the introduction of new market-friendly policies in Q2/Q3 of 2023 to enable the reset of the economy for acceleration of growth and economic expansion. The 52% who did not have great confidence in the prospect of growth for their industries identified inflation rate, global economic slowdown, and general economic uncertainty as the rationale for their responses.

At the organisational level, 58% of CFOs are more confident about the prospects for growth of their organisations in 2023. Our respondents identified strategies deployed within the organisation in the areas of diversified customer penetration platforms, establishment of ecosystems and strategic alliances, product line expansion and implementation of sustainaibility initiatives as being responsible for their optimism.

"Fiscal policy has been under pressure recently and removal of oil subsidy would help greatly in providing headroom for the government coffers to enable provision of development benefits to citizens."

Sharafadeen Muhammed
CFO, Citibank Nigeria

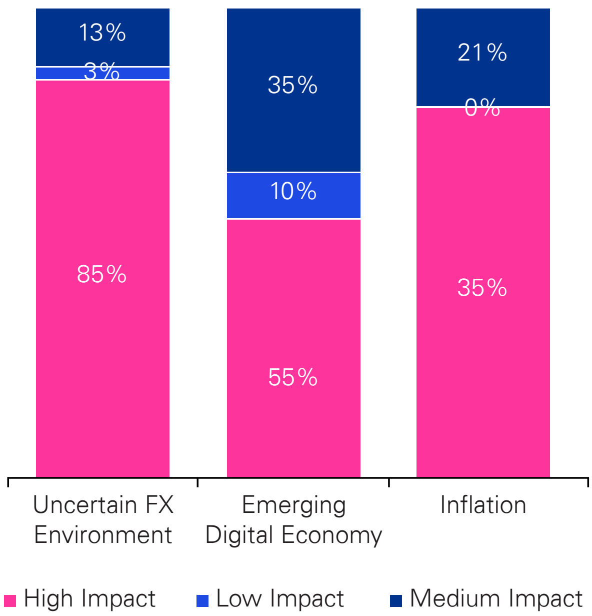
Q2

What are the top 3 trends likely to impact and shape 2023 Economic outlook?

The uncertain FX environment (85%), Inflation (79%) and Emerging Digital Economy (55%) are the top three issues that CFOs believe will have a high impact on the 2023 Economic Outlook. They expressed concerns on the lack of a sustainable policy to address the instability and multiplicity of exchange rates in the FX market.

They noted that high inflation rate has continued to be a major challenge impacting business operations as exemplified in the upward trend of inflation throughout 2022, hitting a record of 21.34% in December 2022. It is expected to remain elevated throughout 2023.

With respect to the digital economy they noted that disruptive technologies such as robotics, blockchain, artificial intelligence, big data, etc., have increased the pace of change, and will continue to disrupt and reshape the economic landscape.



Section Two:

Enabling Environment

Q3

What are the top three matters that the Government needs to address that would spur economic growth and enable ease of doing business in 2023?

- High Inflation Rate
- Insecurity
- Instability of the FX Environment

CFOs identified high inflation rate, insecurity, and instability of the foreign exchange environment as the three most crucial issues that the government must tackle in 2023 in order to boost economic growth, and increase investor and public confidence.

The headline annual inflation maintained an upward trend throughout 2022, reaching its highest level in almost two decades. This was driven by persistent structural issues, rising international food and energy prices and other policy-related bottlenecks that impact cost ofdoing business. Consequently, government needs to urgently address the structural issues impacting business operations.

Security challenge was identified as one of the major issues impacting business growth. CFOs expect government to implement pragmatic initiatives to resolve the pervasive security challenges across geographies. This is crucial to ensure seamless and undisputed follow of goods and services across the country.

The CFOs expressed frustration at the perennial challenges of the foreign exchange markets. It was noted that unstable foreign exchange supply and rate arbitrage has become a major impediment to effective business and financial planning and has become a major constraint to growth business across sectors.

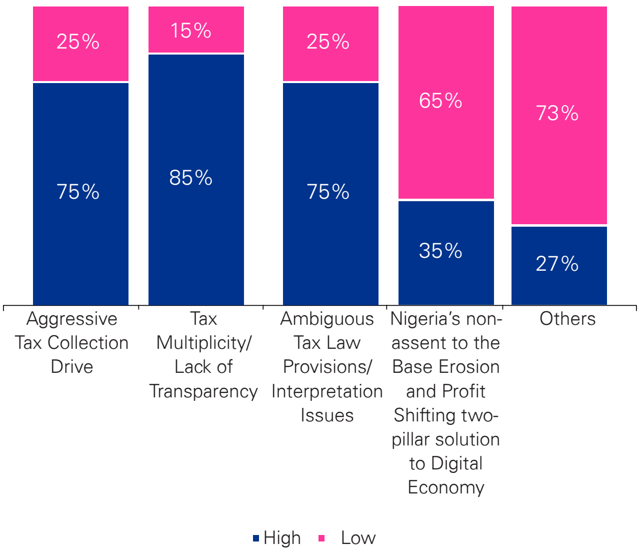
CFOs expect government to implement initiatives to increase supply of foreign exchange to meet the need of their organisations, ensure predictability of the FX environment and eliminate the arbitrage between official and parallel market rates..

“Foreign Exchange (FX) challenges need to be tackled to enable the resolution of the uncertainties economic agents must deal with. The adverse impact of the FX challenges feeds mostly into cost push inflationary pressures, negatively impacting economic growth.”

Sharafadeen Muhammed
CFO, Citibank Nigeria

Q4

Regarding the Government's thrust on tax policies, how do the following issues rank on your list of concerns?



The Nigerian government's thrust on tax policies has been a matter of concern for CFOs, with 75% of them rating the aggressive tax collection drive as high in the list of concerns on taxation. While this drive may generate revenue for the government, it could have a negative impact on businesses that are already struggling due to the global economic meltdown.

Another major concern for CFOs is the multiplicity of tax and lack of transparency in administration, with 85% of them rating it as high source of concern. This issue has been a persistent challenge for businesses operating in Nigeria and could deter new local and foreign investment, which is crucial for economic growth.

Furthermore, 75% of CFOs rated ambiguous tax law provisions and interpretation issues as high. This indicates that there is a need for clarity in tax laws and regulations to avoid confusion and inconsistencies in their application.

In addition, 65% of CFOs rated Nigeria's non-assent to the Base Erosion and Profit Shifting two-pillar solution to Digital Economy as a low source of concern, while the remaining 35% rated it as high. This highlights the need for Nigeria to align with global tax policies and practices to attract foreign investment and ensure a level playing field for all businesses.

The Nigerian government needs to address these concerns to create a favourable tax environment for businesses and attract foreign investment. This can be achieved through the implementation of clear and transparent tax policies, harmonization of tax laws, and alignment with global tax policies and practices.

Tax Outlook for 2023

Increase in tax audit exercises by the tax authorities

Following the successes in tax collection achieved in 2022 financial year where the Federal Inland Revenue Service (FIRS) realized a tax revenue of ₦10.1 trillion, representing over 96% of its collection target for the year, it is expected that the FIRS will continue its deployment of digital platforms to expand the tax base and gather information for an improved tax collection performance in 2023 to finance the huge deficit in the approved 2023 budget.

The same approach is expected from the various State Internal Revenue Services (SIRS). Many SIRS have already deployed technologies for tax collection on the incomes of individuals and enterprises operating in their respective States.

On 6 February 2023, the FIRS and Lagos Internal Revenue Service (LIRS) signed a Memorandum of Understanding (MoU) to establish a Joint FIRS and LIRS Audit and Investigation Team (JAIT). Through the MoU, the FIRS and LIRS will collaborate to administer joint tax audits and investigations, improve exchange of information only for tax assessments, collections, and recovery purposes, and facilitate staff capacity development. The MoU is expected to assist the FIRS and LIRS to build a reliable and updated database on corporate and high net worth taxpayers.

Consequently, the JAIT would jointly execute both current and back duty tax audit or investigation on records of selected taxpayers and exchange information, spontaneous or on-request, solely for tax assessments, collection, and recovery.

With evidence of an intentional drive to increase revenue collections in 2023, taxpayers must ensure strict compliance with the provisions of the tax laws to avoid exposure to unnecessary penalties and interest for non-compliance.

Increased tax compliance and policies focused on digital services

Finance Act 2021 introduced amendments that empowers the FIRS to make regulations that will ensure tax compliance for players in the digital economy. We have seen changes to value added tax compliance process by the FIRS and the use of automated tax administration solutions for gaming and lottery businesses to improve tax collection.

The Finance Bill, 2022 also proposes the taxation of chargeable gains derived from the disposal of digital assets (such as cryptocurrencies, non-fungible tokens (NFTs)). This proposed taxation shows a turnaround on the Federal Government of Nigeria (FGN)'s position on digital assets following the restriction imposed by the Central Bank of Nigeria (CBN), in February 2021 on trading of cryptocurrencies in Nigeria. Where the provision is retained in the version of the Bill to be signed by the President, it is expected that the CBN will lift the restriction and issue regulations to guide the transactions relating to digital assets in Nigeria. Therefore, companies operating in the digital space should expect more government involvement in their business operations and services.

Nigeria and the OECD Two-Pillar Solution

There has been some progress with the Organisation for Economic Cooperation and Development (OECD)'s Two-Pillar Solution to the Tax Challenges of the Digitalisation of the Economy. Currently, Nigeria agrees with the solutions in Pillar 2 and Amount B in Pillar 1. However, Amount A in Pillar 1 is still a red line which Nigeria is not willing to cross. The implication is that the FIRS will continue to subject the income of non-resident companies that meet the significant economic presence threshold to tax in Nigeria.

Therefore, non-resident companies and Multinational Enterprises who meet the significant economic presence threshold should expect to pay tax in Nigeria under the Nigerian Digital Services Tax regime.

Other notable changes introduced by Finance Bill 2022

The Finance Bill, 2022 made notable amendments to some tax laws in Nigeria which is expected to take effect when the Bill is enacted into law in 2023. Some of the key amendments, based on the Bill signed by the National Assembly, include:

- Incorporation of tax-loss harvesting principle that will allow the setoff of capital losses arising from disposal of chargeable assets from capital gains derived from the disposal of assets of a similar class. Any unabsorbed capital loss can be carried forward and applied against any future capital gain provided it is derived from the disposal of a chargeable asset of the same asset class.

- Expansion of the qualifying assets for roll-over relief to include shares and stocks.

- Introduction of investment allowance on qualifying capital expenditure incurred by companies engaged in the utilisation of gas effective from the assessment year in which such companies attain specified production threshold.

- Deletion of the provision that allows a 10% investment allowance on capital expenditure incurred on plant and equipment effective 31 December 2022. However, companies will continue to enjoy investment allowances already granted on qualifying assets prior to the effective date until such allowances are fully utilised.

- Application of CIT rate of 50% on the market value of gas flared or vented (except in an emergency) by an upstream petroleum company provided that such company is not converting to the Petroleum Industry Act regime or is not liable to CITA in any year of assessment.

- Introduction of import levy of 0.5% on all eligible goods imported into Nigeria from outside Africa to finance capital contributions, subscriptions and other financial obligations to various multilateral institutions (such as the African Union, African Development Bank, African Export-Import Bank, ECOWAS Bank for Investment and Development, Islamic Development Bank, United Nations, etc.) as may be designated by regulation issued by the Minister of Finance.

- Introduction of excise duties on all services (including telecommunication services) provided in Nigeria at rates that may be prescribed by the President through an Order.

- Requirement for importers that purchase taxable goods on an online electronic or digital platform operated by a non-resident supplier (NRS) that has been appointed by the FIRS to charge and collect VAT, to provide proof of the NRS' registration or appointment as well as evidence that VAT was charged, on the sales invoice of the goods, as a condition for clearing the goods without paying VAT at the port of entry into Nigeria.

- The amendment of the definition of Building under the VAT Act to mean structure permanently affixed to land for all or most of the useful life of the structure but excludes fixtures or structures that can easily be removed such as radio or television masts, transmission lines, cell towers, vehicles, mobile homes, caravans and trailers.

The above amendments, if implemented, will have significant implications on the cost of doing business in Nigeria. Therefore, investors, CFOs and other business managers should keep close attention on the progress of the Bill.

Section Three:

Corporate Strategy & Business Outlook

Q5

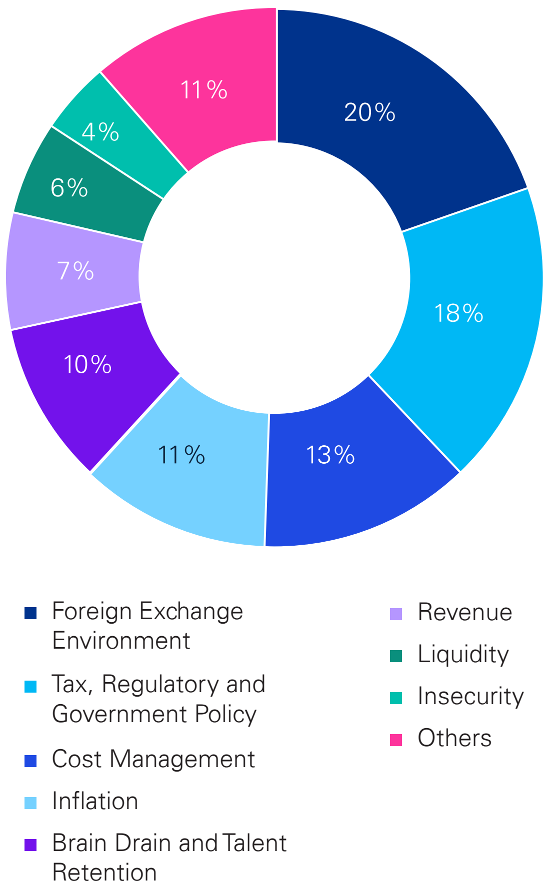
As the CFO of your organisation, what are your top five 'stay-awake' (most important) issues?

The top stay-awake issues for CFOs highlighted in this year's survey are:

1. Foreign Exchange Environment
2. Tax, Regulatory and Government Policy
3. Cost Management
4. Inflation
5. Brain Drain and Talent Retention

This year, the foreign exchange environment was identified as the top stay-awake issue for CFOs. Tax, regulatory and government policy was a close second, while cost management issues driven by high inflation was ranked third. Respondents emphasised how the need to optimise cost and maximise business value has become even more strategic in the current business environment.

Brain drain and talent retention challenges arising from the recent migration of thousands of talented professionals for better opportunities overseas has become a strategic concern for many businesses. CFOs identified scarcity of experienced professionals and high cost of training and developing new talents as a major issue for them in the short to medium term.

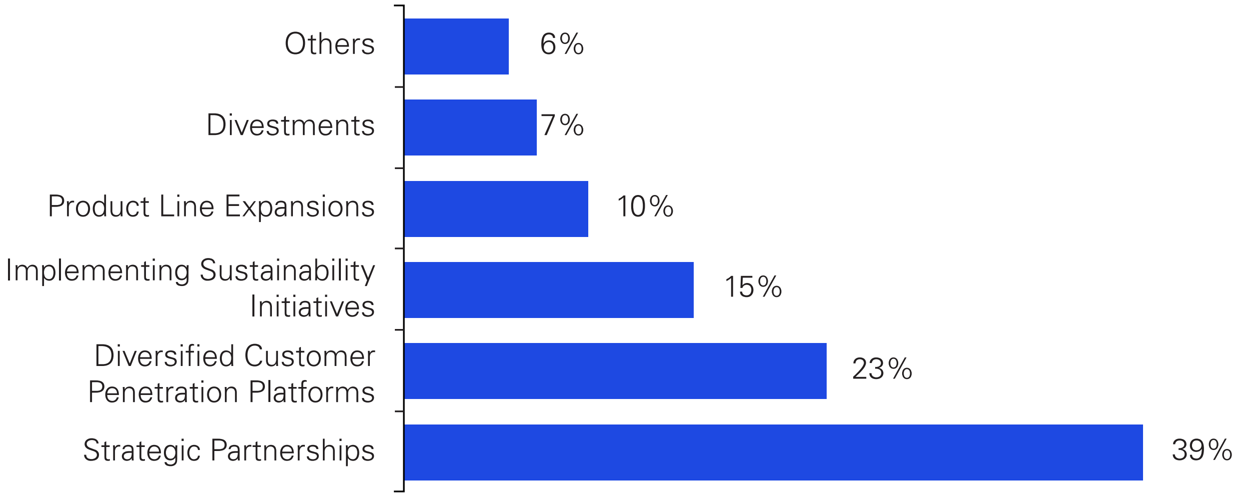


"Our three top "stay-awake" issues are inconsistent government policies and policy summersault, availability and pricing of FX, and security issues."

Gbenga Fapohunda
Acting CFO, Dangote Cement Plc

Q6

What would you consider as the most important source of growth for your organisation in 2023?



This year's CFOs survey identified the following levers as the major drivers of growth.

- **Strategic partnerships**
- **Diversified Customer Penetration Platforms**
- **Sustainability Initiatives**

CFOs placed emphasis on strategic partnerships as being the most important source of growth for their organisation in 2023, followed by the need for the organisations to open new markets and products, and to create platforms to reach new customers (diversified customer penetration).

In today's digitised and interconnected world, CFOs are expected to invest in strategic partnerships and alliances to drive business performance and growth. Strategic partnerships have the potential to offer considerable commercial benefits when entered into with mutually understood strategic ambitions and manged appropriately.

Customers are the lifeblood of every organisation and the money they spend is the oxygen that enables the business to exist, grow and thrive. Consequently, CFOs are supporting their organisations to invest in diversified customer penetration platforms to ensure access to customers.

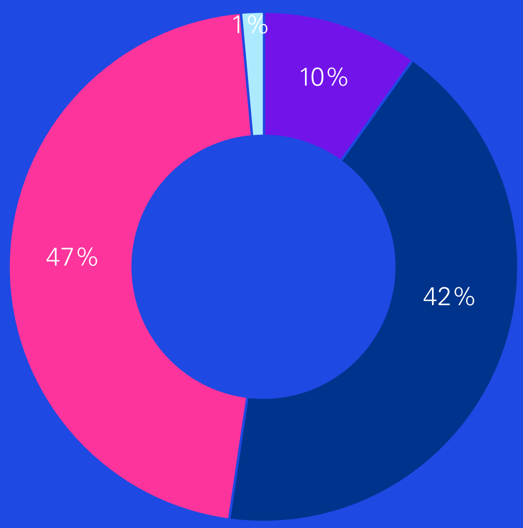
CFOs have recognised investing in sustainability initiatives as part of the strategies to reduce the impact their operations on the environment and guarantee a healthy planet for generations to come

Q7

How aligned is your finance strategy and contribution to the creation of organisational value?

47% of CFOs noted that finance is integral to the development of business strategy, 42% responded that finance collaborates to define organisational strategy. 10% indicated that a finance vision exists but finance is reactive to business disruption. 1% are of the opinion that there is no defined vision for finance and no involvement in driving organisational strategy.

Finance functions that clearly articulate their vision and align their strategy to the business strategy, are seen as better partners to the business. The finance function is expected to deliver beyond information and analysis, but increasingly deliver productive insights that guide strategic decision making. Developing a business aligned finance strategy helps build a more agile finance function that can leverage data assets to enable business growth.

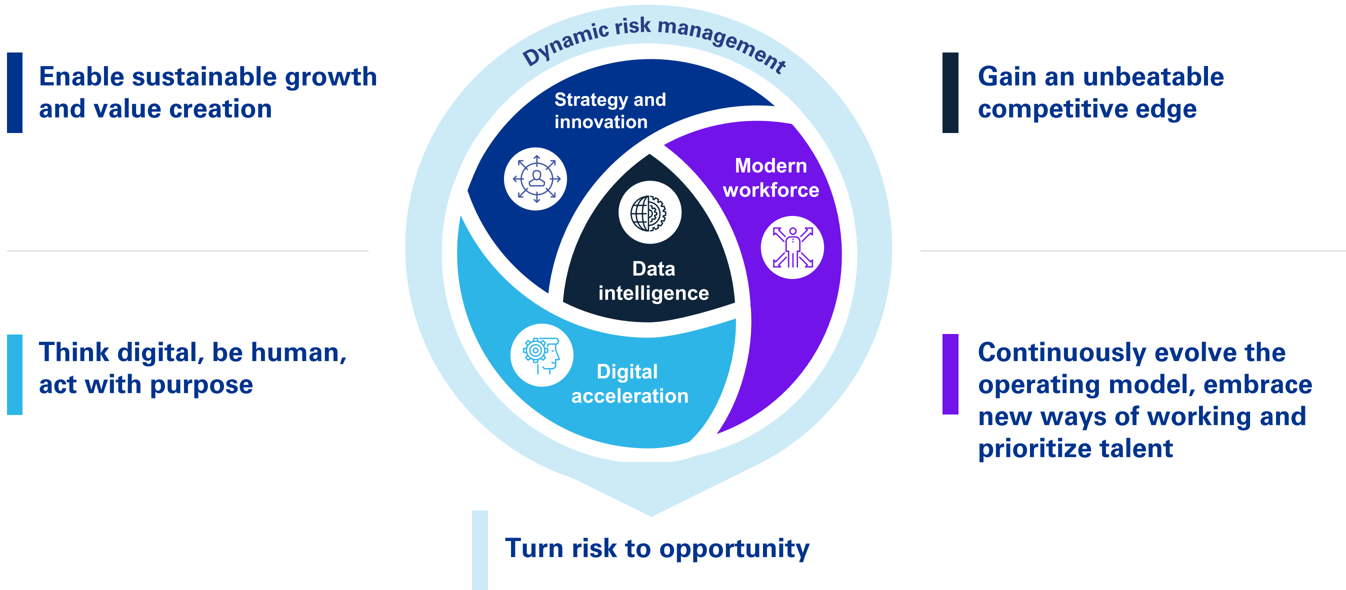


- A finance vision exists, but finance is reactive to business disruption
- Finance is integral to the development of business strategy
- Finance collaborates to define organisational strategy and operationalise this to create shareholder value
- There is no defined vision for finance and no involvement in driving organisational strategy

CFO Agenda for Elevating Finance

Future of Finance

The CFO Agenda



The CFO agenda looks at five distinct but connected pillars to elevate finance and turn disruption into opportunity. The insights here are based on KPMG's proprietary data, industry-sponsored focus groups, field research, and insights gained directly from KPMG firms' transformation engagements across multiple industries.

Strategy and innovation: Developing sustainable, profitable growth by creating, interating and realizing enterprise value.

Digital acceleration: Driving a cultural shift to enable accelerated development of fit-for-purpose solutions that deliver business objectives, enhance the human experience, and enable organisational agility

Data intelligence: Establishing finance as the value multiplier and integrator, while enabling enterprise data and reporting strategies, proper governance, and effective decision support across the enterprise.

Modern workforce: Driving digital fluency across the finance workforce and adopting new delivery models, ways of working, and talent strategies to increase the scope and value of services delivered.

Dynamic risk management: Maintaining trust across stakeholders through the adoption of proactive risk management strategies that strike a balance between value preservation and innovation.

What does the new CFO look like?

A complex and evolving mix of digital fluency, innovative thinking, soft skills, values, and leadership attributes is driving the adoption of new roles for CFOs. In some ways, the CFO has to think like a data officer, in other ways like an investor, supplier or client for the organization. In many cases, CFOs are beginning to work more closely with CEOs to drive strategic thinking based on increased levels of accurate and timely financial data.

Here are some archetypal CFO roles that are emerging:

- Entrepreneur:
  - Understands relevant customer segments and products, important market trends
  - Thinks in an agile way
  - Comfortable operating in an ambiguous landscape and embracing uncertainty
- Strategist:
  - Spots and actively drives growth opportunities within the business
  - Develops viable plans which confront the future and deliver results
  - Balances customer and commercial needs to create value for the business
  - Synthesizes information from a broad range of sources to identify new insights that can advance business success
- Challenger:
  - Develops better ways of doing things, navigating risks and opportunities for the business
  - Sees change as an opportunity and strives to learn from each experience
  - Uses empathy and understanding to provide an integrated response that speaks to the needs of others
- Storyteller:
  - Translates and interprets data, framing the narrative for external and internal narratives
  - Offers deep understanding of the business and external conditions, based on technology-driven data mining
  - Becomes part of the story as respected influencers with a seat at the decision-making table
- Expert:
  - Serves as a trusted advisor, counted on for objective, specialized expertise that focuses on outcomes
  - Knows how to balance multiple priorities among customers, stakeholders, and investors
  - Supports a collaborative approach, connecting people with the right mix of qualitative and quantitative insights

One thing is certain about CFOs — the traditional roles of finance are shifting rapidly, and the new CFO will be a change agent for sustainability and continued growth across the enterprise.

Roadmap to a future-ready organisation

Today is only the beginning of a new era in the Finance function, as forward-looking CFOs and their teams play an increasingly larger role in delivering higher levels of efficiency, insight and value across the enterprise. Critical enablers of successful transformations program include:

- A holistic, business-led transformation approach to digitization and the elevation of finance
- Clearly articulated goals, including North Star initiatives that represent a company's definition of itself and purpose, as well as specific KPI targets
- Visible, top-down sponsorship and executive buy-in that is backed by proper funding and human resource allocation
- Dedicated transformation teams including change management experts who can implement strategies for effecting change, controlling change, and helping people to adapt to change

How to get started

- As in many areas of business, successful transformation is a journey, not a destination.
- The first step toward solving a problem is recognizing one.
- Perform a rapid diagnostic and prioritize areas of highest impact and benefit. Then define a bold but realistic vision for the future.
- Once the initiative is in place, identify quick wins early, often, and throughout the transformation journey.
- At the same time, develop a strategic but flexible roadmap, and enlist the support of dedicated teams with diverse skill sets.

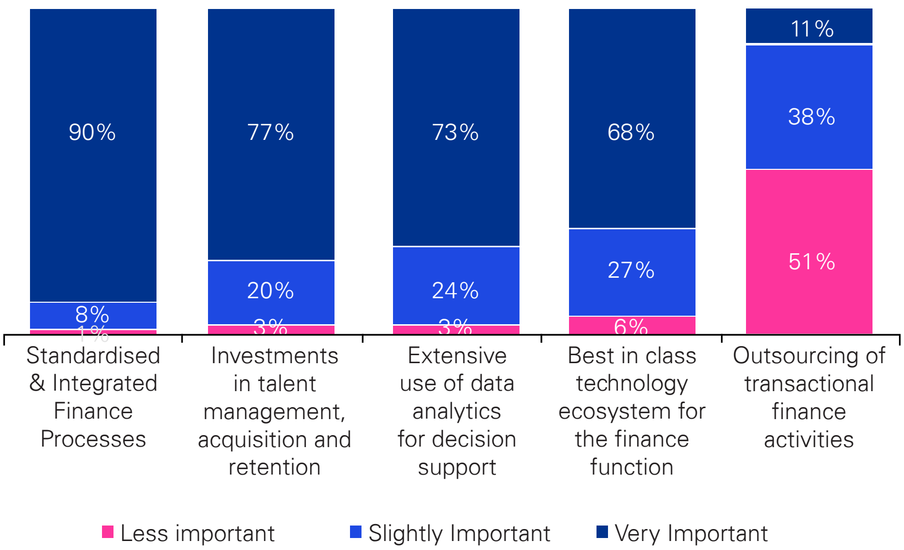
Q8

How important is embracing and adopting the following lean finance principles and capabilities in your organisation?

The majority of CFOs have emphasized the importance of adopting lean finance principles and practices to drive organisational efficiency and growth. 90% of CFOs identified standardised and integrated finance processes as very important in their organisations, while 77% identified investments in talent management, acquisition and retention as very important. 73% and 68% agreed that extensive use of data analytics for decision support and best in class technology ecosystem for the finance function are very important respectively.

However, there is less consensus on the value of outsourcing transactional finance activities, with only 11% of CFOs considering it to be important.

Based on the responses, embracing lean finance principles can lead to improved financial performance and competitive advantage for organisations operating in Nigeria's dynamic and rapidly evolving economic landscape.



Q9

The finance function of the future will take advantage of available technologies in improving its efficiency and effectiveness. To what degree have you employed the following technologies in your finance function?

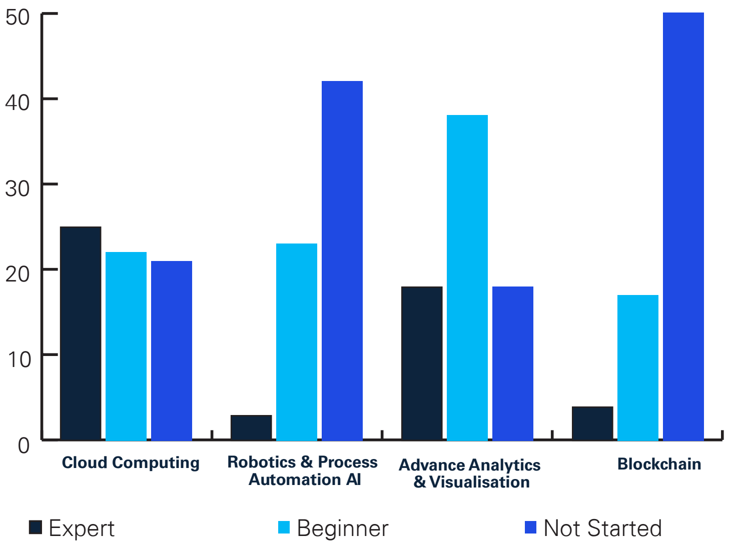
The survey revealed that while there is considerable progress being made in the adoption of technology in the finance function, there is still a long way to go in fully utilizing emerging technologies like Robotics and process automation/AI and Blockchain. The finance function of the future will be heavily reliant on these emerging technologies to improve its efficiency and effectiveness.

Cloud computing and enterprise resource planning (ERP) platforms are already being used at expert levels as indicated by 37% and 56% of the CFOs, respectively. This shows that there is already a level of maturity in these areas and CFOs have embraced the advantages by adopting these technologies.

However, when it comes to Advanced analytics and visualization, the responses show that 54% of CFOs were at the beginner stage in using these technologies. This could be attributed to a lack of understanding of the capabilities of these technologies, or the cost associated with implementation.

The survey also revealed that Robotics and process automation/AI and Blockchain had the lowest adoption rate by CFOs, with 62% and 70% of respondents acknowledging not-started status respectively. This suggests that CFOs need to be more proactive in exploring these emerging technologies and implementing them in their finance functions to stay competitive and achieve greater efficiency and effectiveness.

The finance function of the future will require CFOs to be technology-savvy and constantly embrace emerging technologies to improve their finance function. CFOs should continue to invest in the adoption of technology to stay ahead of the curve and gain a competitive advantage.



"Retooling the skill set of Finance professionals would be key over the next decade. The focus should be more on the use of automation and placing increasing emphasis on analytical contributions and insights to improving business performance."

Sharafadeen Muhammed
CFO, Citibank Nigeria

Q10

How mature is your Finance Function's approach to data, insights, and analytics?

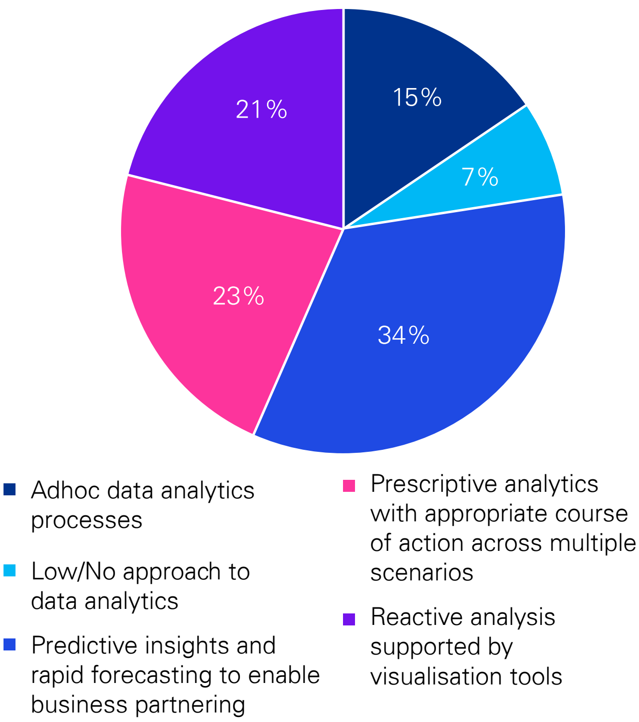
The maturity of the use of data analytics in the finance function varies widely. The survey indicated that 93% of CFO respondents are using some form of data analytics in their finance function. Only 7% of CFOs indicated having low or no approach to data analytics.

A larger number of the CFOs, representing 34% of respondents, reported using predictive insights and rapid forecasting capabilities to enable business partnering. This suggests that finance functions in Nigeria are leveraging data analytics to make more informed decisions and improve their ability to collaborate with other aspects of the business.

23% of respondents, reported using prescriptive analytics with appropriate courses of action across multiple scenarios. This suggests that some finance functions in Nigeria are taking data analytics to the next level by not only predicting outcomes, but also recommending specific actions to take.

21% of CFOs reported using reactive analysis supported by visualization tools. While this approach may be less advanced than the others, it still represents a use of data analytics to gain insights and inform decision-making.

Overall, the survey suggests that many finance functions in Nigeria are using data analytics, with a sizeable number having advanced capabilities for predicting outcomes and recommending courses of action. However, there is still room for improvement, with a small minority of CFOs reporting a low or no approach to data analytics.

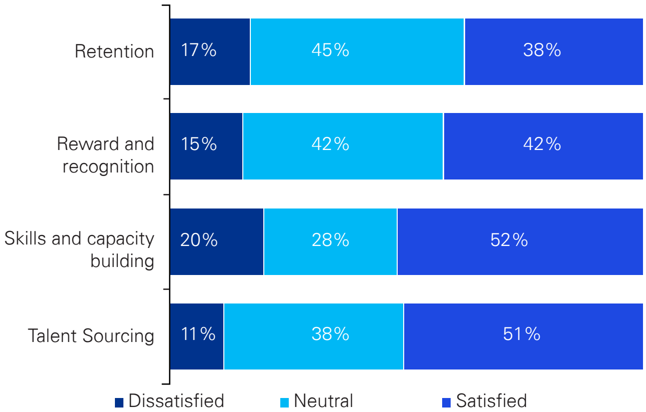


"We are in the first phase of an enterprise-wide digital transformation, SAP S4-HANA is currently being deployed. Next phase will be to embed specialist analytical tools, specific to our industry but for finance and other operations."

Adegbola Adesina
CFO, Niger Delta Exploration and Production Plc (NDEP)

Q11

How satisfied are you with your talent management strategies in the finance function? Rate your satisfaction in the following areas.



CFOs are moderately satisfied with their talent management strategies in the finance function. Of the four areas assessed, Talent Sourcing and Skills and Capacity Building received the highest satisfaction rates of 51% and 52%, respectively. This suggests that CFOs feel confident in their ability to attract and develop skilled finance professionals.

On the other hand, Reward and Recognition, and Retention received lower satisfaction rates of 42% and 38%, respectively. These findings may indicate that CFOs believe they need to improve their methods of incentivizing and retaining top talent in the finance function.

To increase satisfaction in the areas of Reward and Recognition and Retention, CFOs may need to consider implementing new policies and practices that address the needs and desires of their finance professionals. These could include creating more opportunities for career growth and development, offering competitive compensation and benefits packages, and providing more regular and meaningful recognition for their employees' contributions.

Overall, while CFOs appear to be satisfied with their talent management strategies in the finance function, prioritizing talent retention and developing innovative strategies for attracting and retaining top talent, can position organisations for long-term success and growth in the competitive global marketplace.

"We have adopted talent management strategy in the usage of more shared service (Less people)/ excellence center, better remuneration for the reduced head count and more usage of technology which is currently at moderate level"

Gbenga Fapohunda
Acting CFO, Dangote Cement Plc

"Active job rotation, training, face-time with senior executives, annual employee remuneration re-evaluations and flexible work-from-home policies are some of the talent management strategies that we have implemented"

Adegbola Adesina
CFO, Niger Delta Exploration and Production Plc (NDEP)

Modern workforce

Evolving requirements and ways of working are accelerating the need for new skills, competencies, and roles in finance.

Evolving requirements and ways of working	New skills and competencies	New and evolving roles and responsibilities
• New revenue streams	• Data and digital fluency	• Business solutions architect
• Speed of decisions	• Impactful storytelling	• Transformation architect
• Experience centricity	• Ability to influence	• Financial data modeler
• Hybrid delivery models	• Ability to develop talent	• Value architect
• Workforce demographics	• Motivating teams to embrace digital Finance	• Strategic partner

Among finance leaders:

82% actively seek candidates with data science and computer backgrounds

65% have robust talent strategy offering rotations, leadership development programs and L&D opportunities

50% offer digital fluency programs to elevate their workforce

Source: KPMG in the US 2022 Elevating Finance Survey. Figures represent top performing organizations only

Key question for CFOs:

How do we manage ongoing disruption while building a resilient enterprise?

Top performers insight:

Over 80 percent actively seek candidates with data science and computer backgrounds.[9]

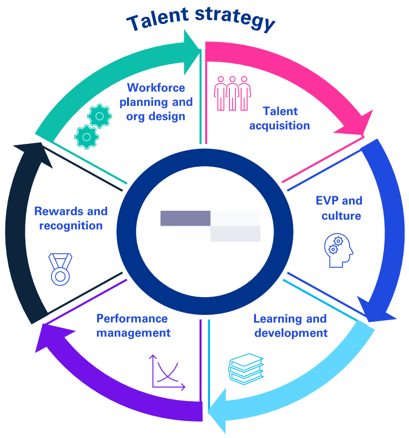
The roles, responsibilities, and required skillsets of CFOs and their finance teams continue to rapidly evolve. New strategic business partnerships to drive value are requiring CFOs to act as strategic advisors along with their traditional roles in accounting and reporting. Effective talent strategies prioritize the employee to enable better engagement, attraction, development, and retention of personnel. CFOs require new skills in talent management and teams to support analytics, strategic visioning, and innovative thinking. In some cases, CFOs are even moving beyond business partners to act as the "co-pilot," delivering value across the organization and beyond business partners to act as the "co-pilot," delivering value across the organization and helping to direct long-term strategies.

To support rapid digitization, finance should better leverage current technologies to optimize solutions, use new technologies to revamp finance service delivery and enhance collaboration, and drive adoption through trust and buy-in of digital solutions. As transactional work becomes more automated, organizations are establishing specialized centers of excellence to meet the redistribution of work and new services that finance should provide. Finance can allocate more time on business partnering activities where it can make a tangible impact on the business.

CFOs can also identify disruptions and opportunities in today's highly distributed workforce. This includes managing hybrid locations, mixtures of employment models, and distributed ways of working. It also involves setting up self-directed teams and reorganizing management structures to accommodate new circumstances.

Reimagine finance talent strategies

An effective talent strategy prioritizes the employee to enable more effective engagement, attraction, development and retention of personnel.



…Articulate the employee value proposition…

How I **feel** about my role and work

What I **expect** from an employer

How I **learn** and **grow**

How I want to be **engaged**

…to shape an innovative and invaluable employee experience

Aligning the right incentives

Enabling flexibility and autonomy

Strategic career development in finance

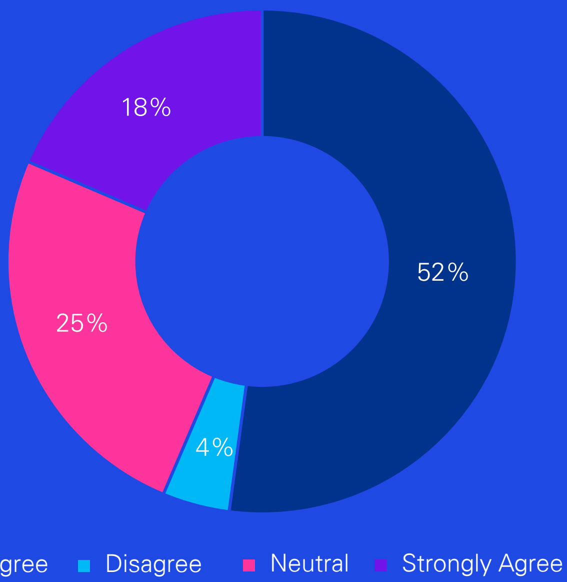
Source: KPMG in the US 2021 Data Imperative, KPMG in the US 2021 CEO Outlook Report. Both reports represent organizations with multi-national operations.

Q12

"To what extent do you agree with this statement: "My organisation's tax function is ready to deal with the challenges and take advantage of the opportunities created by today's dynamic tax environment"

According to the survey, 70% of CFOs agree that their organisation's tax functions are ready to deal with the challenges and take advantage of the opportunities created by today's dynamic tax environment.

However, a considerable number of CFOs remain neutral on this issue, with 25% of respondents indicating that they neither agree nor disagree with the statement. This suggests that there may be some uncertainty among CFOs about the readiness of their organisation's tax function, which could be due to several factors, such as the complexity of the tax system or the lack of clarity on tax laws and regulations.



CFO Advisory Capabilities

Our CFO Advisory capabilities are focused on solutions targeted at supporting CFOs in achieving their strategic objectives.

Accounting Advisory

- Outsourced Accounting and Financial Reporting Services
- Accounts Clean-up and Reconciliation Services
- Asset Verification and Reconciliation Services
- Finance Resource Secondment Services
- Technical Accounting Advice
- Capacity Building/ Training solutions

Financial Management

- Finance Function Assessment
- Finance Function Transformation (FoF)
- Finance Shared Service Delivery Model
- Finance intelligent Automation
- Enterprise Performance Management
- CFO Secondment
- CFO Consulting/ Advice
- CFO Capacity Building

Tax Transformation

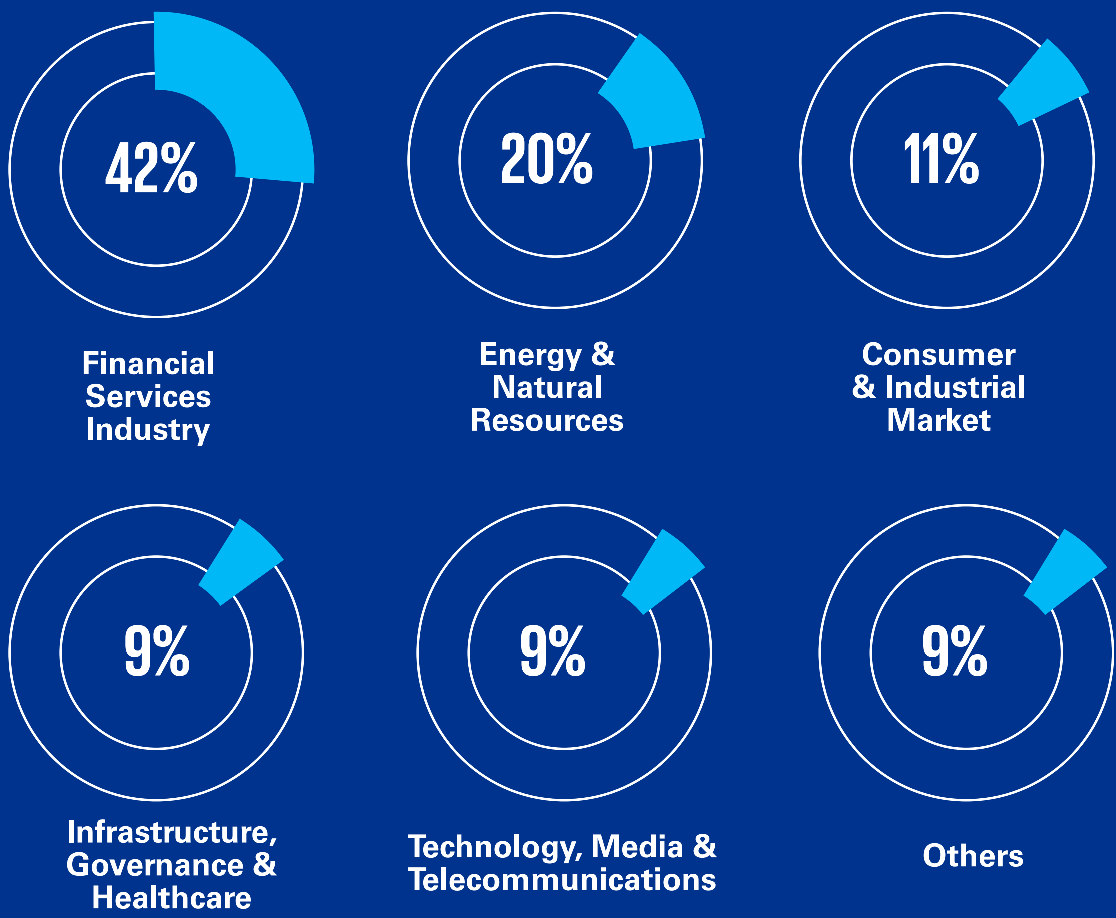
- Tax compliance & Advisory Services
- Tax Transformation
- Deal Advisory Tax Services
- Regulatory Compliance & Advisory Services
- Compensation and Benefits
- Immigration Services
- Payroll Advisory
- Transfer Pricing

Powered Finance

- Powered Finance Design and Implementation
- Powered Finance Post Implementation

About the Survey

This report presents our findings from the 2023 CFO Outlook Survey conducted by KPMG in Nigeria which consists of fifteen (15) questions. CFOs and Heads of Finance in leading organisations across all major sectors in Nigeria shared their opinions on the economic outlook for their businesses, their corporate and business strategies, and the priorities for an enabling environment. The distribution of our respondents across the sectors is illustrated below:



The results of the survey serve as the primary foundation for this report. Also, we considered the feedback from interviews with CFOs.

Contact us

Segun Sowande
Partner & Head
Strategy and Markets
KPMG Nigeria
E: segun.sowande@ng.kpmg.com

Bolanle Afolabi
Partner
Accounting & CFO Advisory Services
KPMG Nigeria
E: bolanle.afolabi@ng.kpmg.com

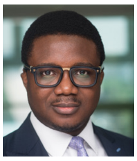
Ajibola Olomola
Partner
Tax, Regulatory and People Services
KPMG Nigeria
E: ajibola.olomola@ng.kpmg.com

Lawrence Amadi
Partner
Tech Assurance
KPMG Nigeria
E: lawrence.amadi@ng.kpmg.com

Nike James
Partner
Tax, Regulatory and People Services
KPMG Nigeria
E: nike.james@ng.kpmg.com

Lara Ogun
Partner
Audit, Consumer Markets
KPMG Nigeria
E: omolara.ogun@ng.kpmg.com

Oseme Obaloje
Partner
Audit, Financial Services
KPMG Nigeria
E: oseme.obaloje@ng.kpmg.com



Uzochukwu Obienu
Partner
Tax, Regulatory and People Services
KPMG Nigeria
E: uzochukwu.obienu@ng.kpmg.com

home.kpmg/ng
home.kpmg/socialmedia

kpmg.com/app