2021 CFO Outlook Survey

Half-year Review | June 2021

Nigeria

KPMG CFO Forum

home.kpmg/ng

Foreword

The KPMG Chief Financial Officers (CFO) Forum serves as a platform to discuss issues of common interest to CFOs and foster interaction between CFOs and relevant government regulators and policymakers. The KPMG Annual CFO Outlook Survey provides valuable insights into how CFOs and their organisations view the business environment, their ask of government and their response to the challenges faced. This year, we decided to publish the report at the half-year and evaluate the impact of developments in the first half of the year, as well as the rest of 2021.

2021 has so far been unique in several ways. The COVID pandemic which captured global attention in 2020 continued to dominate the headlines in the first half of 2021 and many of the assumed temporary measures put in place by businesses in 2020 to deal with the pandemic have had to become business as usual in 2021. Secondly, even though the economy exited recession much quicker than anticipated, overall growth remains tepid as the economy still suffers from structural imbalances and businesses grapple with rising inflation and currency devaluation. Thirdly, the state of insecurity in several parts of the country has been unprecedented in recent times and has added a further layer of complexity to an already challenging business environment. Against this backdrop, CFOs are facing increasing demands to keep their businesses profitable and enhance value creation.

In this year's survey, we collated the views of CFOs on the impact of the COVID-19 pandemic on their respective industries, their outlook on the prospects of growth for both the economy and their organisations, their key challenges from an ease of doing business perspective, and finally, their response to the challenges of improving the efficiency and effectiveness of the finance function.

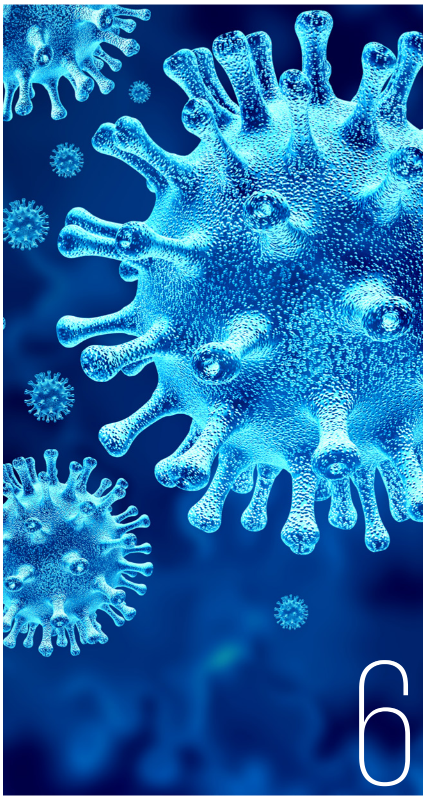
Unsurprisingly, foreign exchange availability, taxation and the impact of COVID-19 emerged as the top three stay awake issues for CFOs surveyed, while the top three issues requiring urgent government intervention from an ease of doing business perspective are security, infrastructure and power. These are the same issues identified year after year and it draws attention to the need for new thinking and a consistent, coordinated approach to addressing them.

The job of the CFO has never been an easy one. However, the current realities mean that CFO capabilities are really being put to the test. In order to function optimally, CFOs need to go beyond personal competence and must be supported by finance functions with the right talent, tools and capabilities. CFOs need to be masters of the present while ensuring they are future-ready. In doing this, they must actively consider how to disrupt their businesses and leverage technology to improve effectiveness. This year's survey report contains some thought provoking articles and suggestions in this regard.

On behalf of KPMG, I would like to thank everyone who participated in the survey and spared some time out of their busy schedules to be interviewed. We look forward to the next CFO Forum meeting where we will be sharing further insights. 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.

Tola Adeyemi
Partner & Head
Audit Services
KPMG in Nigeria

Contents



Snapshot

Prospects for Growth in 2021
CFOs have a pessimistic view on the prospects for growth in 2021 and this is consistent with their views about the growth of the Nigerian economy in 2020. Likewise, CFOs have remained confident about the prospects of growth in their organisations and slightly optimistic of growth in their various industries.

"Stay Awake" Issues
Just as in 2020, CFOs identified Foreign Exchange as the most important stay-awake issue closely followed by Tax and COVID-19 in 2021. Other issues highlighted by CFOs include Government Policy inconsistency and Cost management.

Initiatives to Remain Profitable
Given the negative impacts of COVID-19 and oil price on both macro and microeconomic levels, CFOs are mostly **Increasing/Implementing Cost Optimisation** strategies as well as adopting **Digitisation & Technology Optimisation.**

CFOs' Activities
CFOs identified cost management and cost reduction activities as well as working capital management/funding. Business scenario planning, and compliance/regulator-related activities were also listed amongst the top tasks.

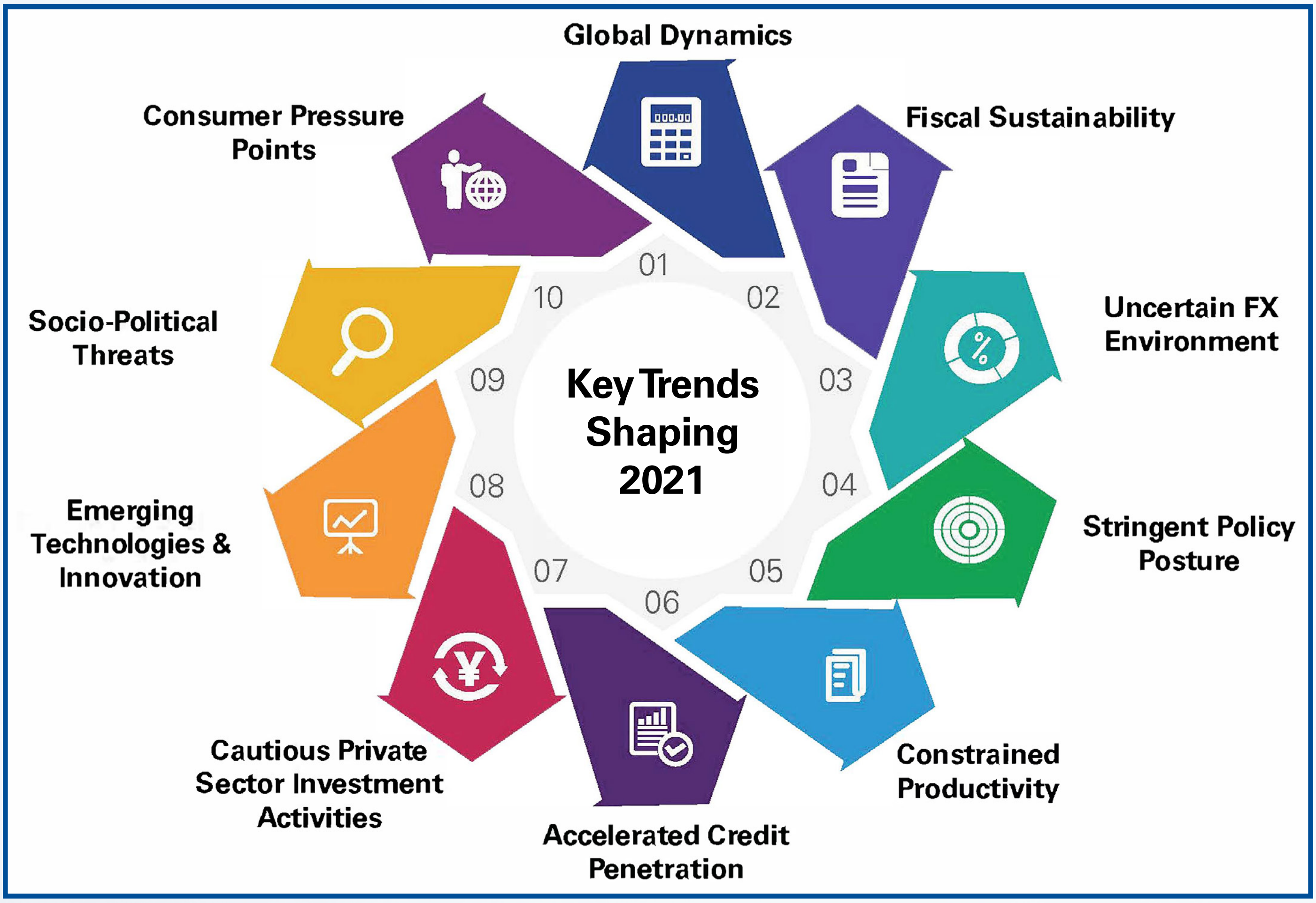
Tax and Regulatory Concerns
As the Federal Government continues to focus on boosting tax revenues, CFOs expressed concerns around tax multiplicity, aggressive tax collection drive and lack of transparency in customs/excise administration. They believe that dealing with multi-layered taxation in the system hurts businesses, especially SMEs. They suggested that the tax administration should be harmonized and transparent.

Leveraging Technology in Finance
CFOs identified Cloud Computing, and Advanced Analytics and Visualization as the top technologies that have been used to improve efficiency in their finance functions. They also identified other technologies including Robotics Process Automation, Artificial Intelligence and Blockchain as new frontiers for delivery of finance services and some CFOs have started exploring these technologies for adoption.

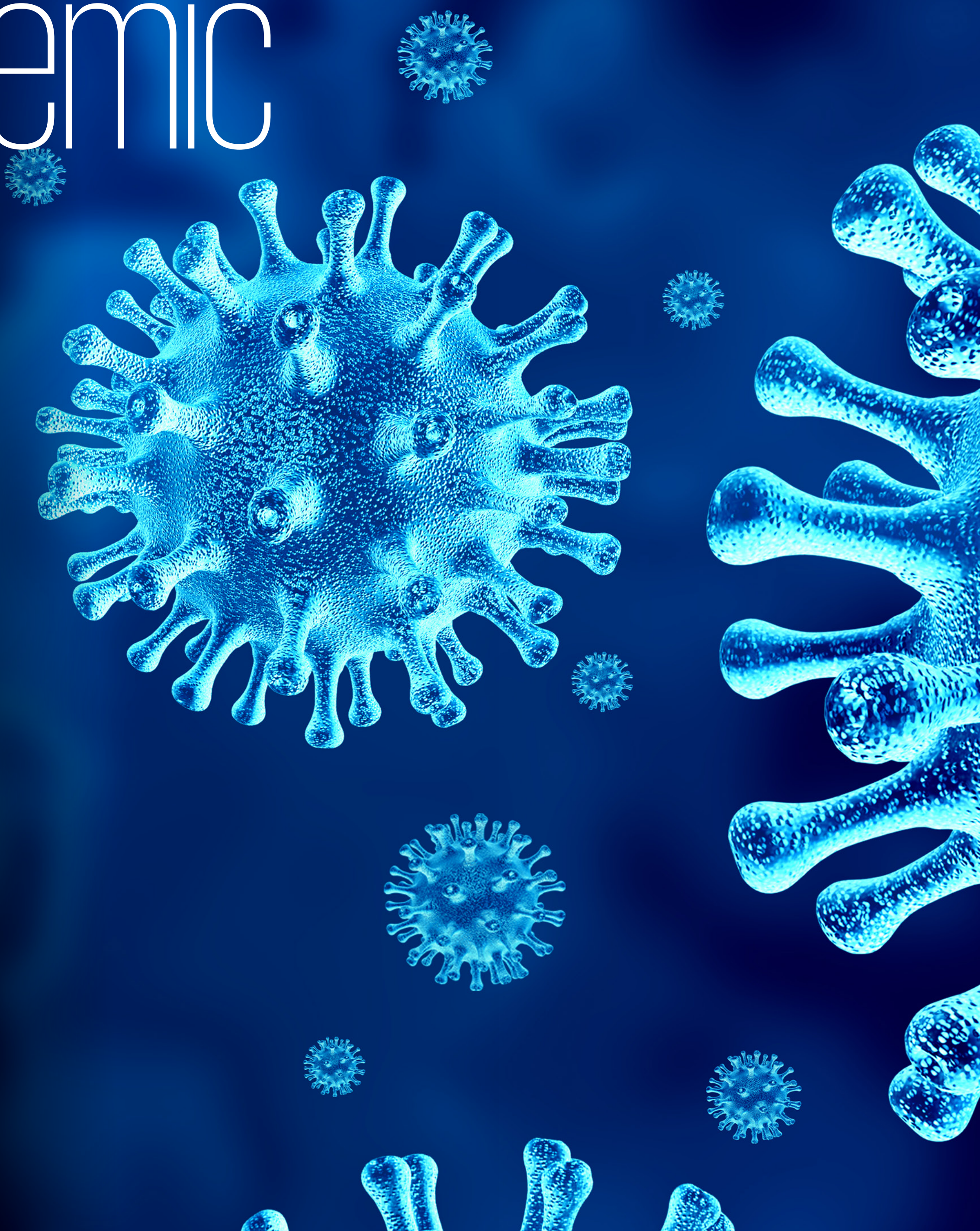
Ease of Doing Business
CFOs have identified Security, Infrastructure and Power as the top 3 matters that the government needs to address to enable ease of doing business, stimulate economic growth and enhance public trust. Infrastructure retains its position among the top 3 matters spotlighted by CFOs in this survey. In addition, CFOs also indicated that the Government needs to ensure policy harmonization and consistency in implementation to boost public trust.

African Continental Free Trade Area (AfCFTA)
With official commencement of AfCFTA in 2021, 50% of CFOs believe that the agreement between African nations will have medium impact on their businesses in the short term. Noteworthily, 40% of CFOs believe AfCFTA will have low impact on their business in 2021. Nonetheless, they mention that having an effective execution plan for the AfCFTA will be important.

Key Trends Shaping 2021



Impact of the COVID-19 Pandemic



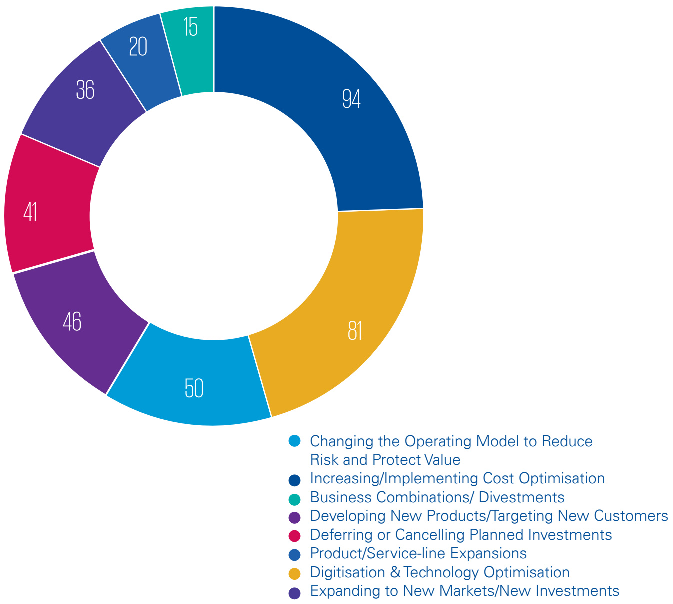
Q1

Which of these initiatives has your organisation taken to remain profitable considering the current realities?

In this year's survey, CFOs identified Increasing/ Implementing Cost Optimisation to remain profitable as the key initiative taken during the period. Given the unprecedented impact of the COVID-19 pandemic which led to a complete halt in economic activities and Nigeria's second recession under 4 years, businesses as well as governments globally needed to adjust operating models in other to remain afloat during such trying times.

Other key initiatives identified include:

- Digitisation & technology optimisation
- Changing the operating model to reduce risk and protect value
- Developing new products/Targeting new customers



"We deliberately reduced and are still reducing our service cost by launching campaigns to drive customers to adopt e-banking channels and instituted cost management initiatives development into the workforce KPIs and currently, business units are incentivized to meet set targets in managing their variable cost portions"

Oluseyi Kumapayi
CFO, Access Bank

Cost Management/Optimisation Initiatives for Businesses Post COVID-19

Though the economic impact of the COVID-19 pandemic varies from sector to sector with a few industries notably technology and health care benefiting from the increased demand for their goods and services, cost optimisation continues to be a key consideration for all businesses.

As many companies face significant pressures to reduce expenditures due to the economic fallout from the COVID-19 pandemic, cost reduction takes the center stage among many concerns of several business leaders. But simply cutting cost without a long-term view in mind can have damaging effects on innovation, growth, reputation among customers, employees, and the communities they serve. Studies have shown that short-term cost-cutting often harm organisations across industries and can ultimately increase costs in the long run.

Cost Management
Cost management is the process of effectively planning and controlling business costs. It includes activities such as planning, estimating, budgeting, financing, funding, managing, and controlling costs, and is employed by many businesses as an integral part of business management. For cost management to be effective, it must be strategic and aligned with the company goals.

Cost Optimisation
Cost optimisation is a business-focused continuous discipline to drive spending and cost reduction, while maximising business value.

Cost Optimisation is achieved by:
- Obtaining the best pricing for the best value in all business purchases
- Standardising, simplifying, and rationalising platforms, applications, processes, and services
- Automating and digitalising IT and business processes

Cost optimisation provides an opportunity to reformulate an organisation's strategy for stronger growth and increased competitiveness. However, organisations need to choose effective means that achieve desired results with minimal disruption to operations.

Innovative Initiatives to Consider

Adopting a Risk Management Approach to Spending:
The first step for CFOs seeking to optimise costs is to determine which cost-cutting decisions made during the pandemic are truly sustainable. The most severe cuts such as factory closures and hiring freezes could result in permanent damage to an organisation if extended indefinitely, other risks are often overstated. Also, taking a risk management approach to understanding which areas of the business are under stress can help better allocate resources from low-risk areas to high-risk ones. Expenditures are prioritised based on need and long-term contribution to the bottom line.

Automation of Business Processes
Businesses need to go beyond the current use of automation to using robotics, i.e., using Robotic Process Automation (RPA) to build intelligent business processes. RPA is the automation of basic tasks by software robots without human intervention. With Artificial Intelligence (AI) and Machine Learning (ML), these robotic programmes can execute repetitive tasks including responding to emails and customer inquiries, Procure to Pay (P2P), Order to Cash (O2C), and more with pinpoint accuracy and high speed.

The benefits of implementing an RPA ranges from enhanced productivity, improved reliability, and control to a shift from hiring low-skilled to highly skilled professionals. Companies will record cost savings of more than 30% across key RPA-centric functions such as Finance and Accounting, Human Resources and Supply Chain, when implemented.

Investment in Cloud Services

Though investment at this time may be considered counterintuitive, the cloud provides the infrastructure on which the automated processes are based with the aim of making them more flexible and less expensive. This means people from across the enterprise will have access to data and will be able to share and use that data to create business value through better and faster decisions.

While cloud services can initially be more expensive than on-premise infrastructure, they become more economically viable over time and improve operational efficiency which will result to cost savings for the business.

Remote Working Model

The sudden adaptation to remote working as a result of the COVID-19 pandemic has made this new way of working a reality. Remote working brings many benefits to the organisation and the chief among them being cost savings. The greater benefit of remote working is enabling a significant reduction in rental cost, allowing those savings to be returned to the business.

Rethinking Supply Chain

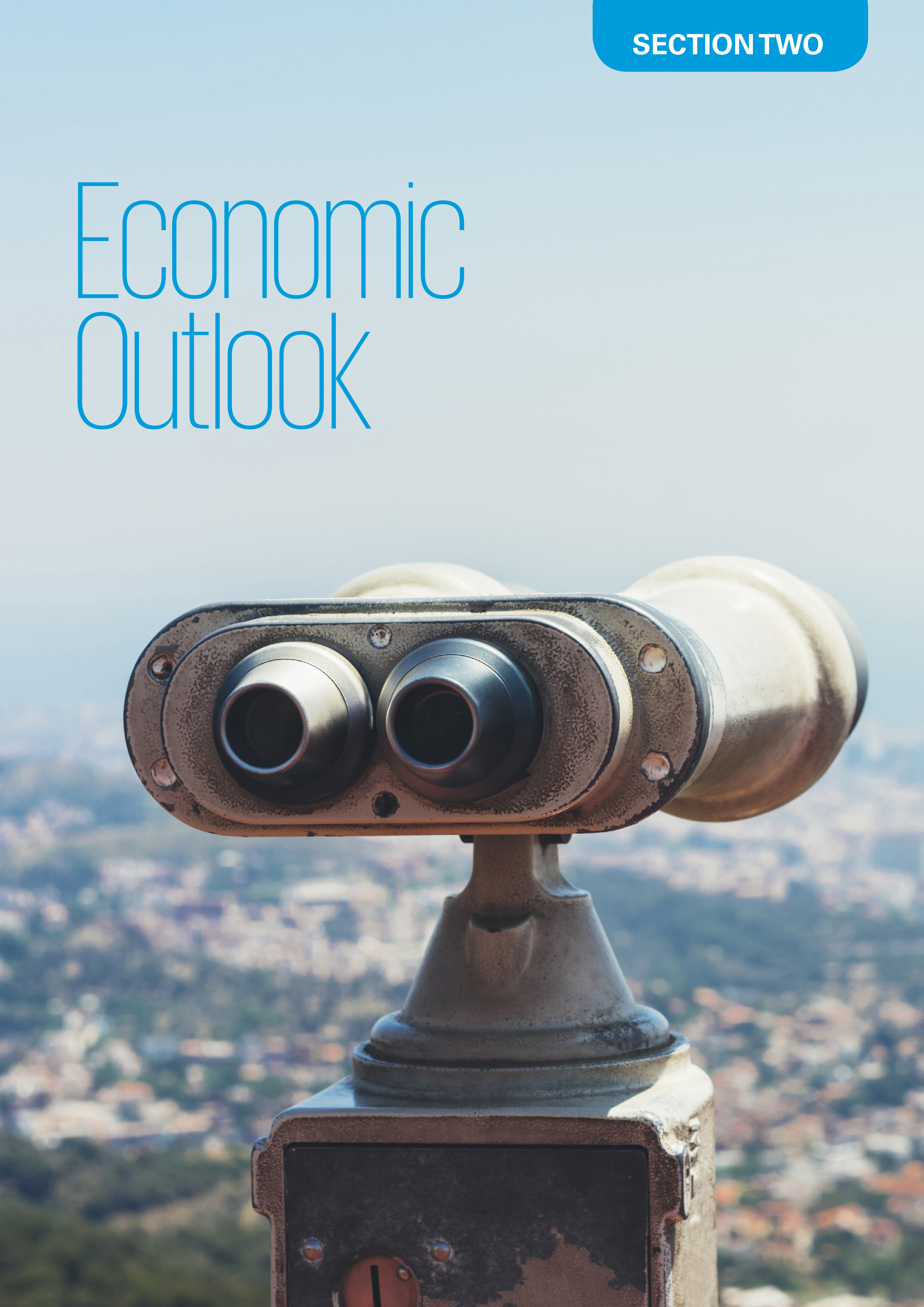
Businesses need to reappraise the impact of the pandemic on their supply chain. Do you envisage stock outs or increase in the cost of materials as a result of border closures or inflation due to scarcity? The pandemic exposed the fatal flaw in the principle that companies should optimise supply chains based on individual component costs, thereby creating a "just-in-time" (JIT) model that favours economic efficiency over resilience. More companies are embracing "just-in-case" supply systems that sets resilience and sustainability at the center stage.

Business Process Outsourcing (BPO)

BPO can help you lower cost because business processes are outsourced to people or organisations that possess greater knowledge of the work and have vast experience in that field, thus increasing the efficiency and quality of the work.

Other contemporary cost optimisation techniques such as benchmarking which studies and leverages the best practices of peers, strategic alliances to share costs, use of market-determined prices, etc., also remain relevant today.

Economic Outlook



Q2 & Q3

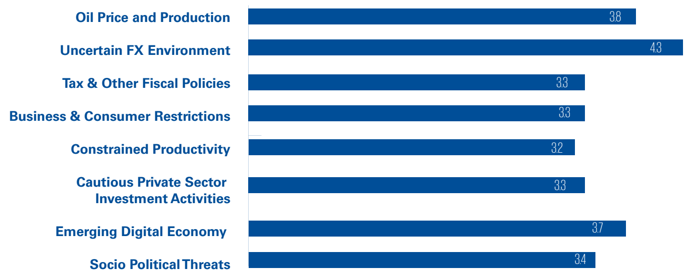
How confident are you about the prospects for growth in the following areas for 2021?

As we have seen in recent years, this year's survey showed that CFOs have remained largely pessimistic about the prospects for growth in the Nigerian economy and this year was not any different. Accordingly, survey results reveal that most of the CFOs remain cynical of the growth of the Nigerian economy and more optimistic about the prospects of growth of their various organisations.

Some of the underlying reasons adduced for the much less confident view were:

- Uncertain FX Environment
- Oil price and Oil production
- Emerging Digital Economy

Notably, the concerns of the CFOs remain have held true, as the CBN in line with its mandate to unify the exchange rates, have adjusted the official rate of the Naira against the dollar by 8.2% to ₦410 from ₦379, in line with its mandate to unify the exchange rates. Similarly, the naira depreciated by 6.8% YtD to ₦502/US$. On a positive note, oil price and oil production grew by 40.9% and 14.5% YtD to US$73/bbl and 1.34mbdp respectively, due to excitement around global vaccine distribution and loosened OPEC+ quotas.



Elsewhere, while Nigeria recorded venture capital investments of US$307m in 2020, and over US$200m already in 2021, policy actions like the recent twitter ban in June 2021 bodes negatively for the outlook in the second half of 2021.

"Accelerate the growth of the Company through delivery of its strategic objectives with the Finance Function fully embedded in the business, leading the enterprise-wide integration and providing in-depth financial analytics and reporting to steer the organization in the right direction."

Solomon Okodugha
CFO Oilserv Limited

Enabling Environment

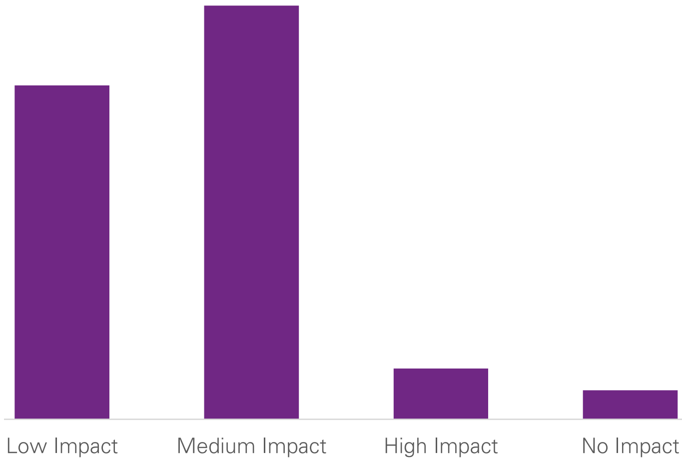
Q4

Please rate the level of impact you think AfCFTA would have on your business in 2021

The long-awaited Africa Continental Free Trade Area (AfCFTA) agreement aimed at accelerating intra-African trade and boosting Africa's trading position in the global market, finally kicked off on January 1, 2021. Nigeria showed commitment to the agreement by reopening its land borders to Benin, Niger and Cameroon on December 31, 2020, following its closure since August 2019 to mitigate smuggling activities.

The agreement is set to lower trade barriers among 54 African countries, creating the globe's largest trading bloc since the creation of the World Trade Organisation. Furthermore, the US$3.4 trillion market is widely expected to have positive transformative effects for Intra-Africa trade, which is expected to rise by as much as 50%.

As of June 2021, only 36 countries have deposited their instrument of ratification with the depository, even though 54 out of the 55 Africa Union Member States signed the consolidated text of the agreement establishing AfCFTA. Furthermore, 41 countries (including Nigeria) are at various stages of preparing national AfCFTA strategies, which identify strategic areas of national interest and relevant interventions to ensure that countries and regions fully participate and benefit from the Agreement.



"The government needs to be proactive in delivering policies by analysing market trends with a pro-business stance, putting in place a winning strategy and execution plan for the AfCFTA."

Oluseyi Kumapayi
CFO, Access Bank

"Government should ensure that policies are created to primarily support the growth of local businesses and assist them to become export friendly. Preferential tax breaks to brand and product exporters should be considered."

Anthonia Agbonifo
ED/DMD/CFO Food Concepts Plc

Q5

What are the top 3 matters that the Government needs to address to enable ease of doing business, economic growth and enhance public trust in 2021?

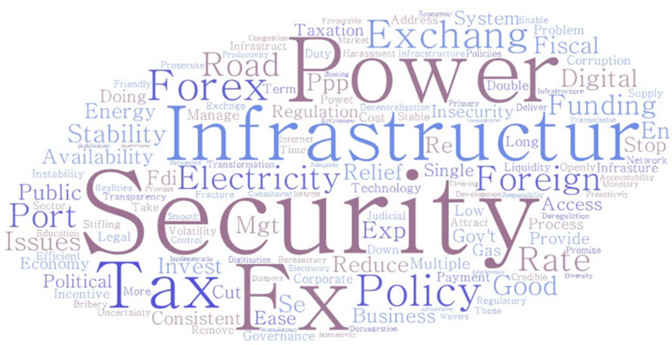
This year, CFOs have identified Security, Infrastructure and Power to be the top three matters that the Government needs to address to enable ease of doing business, spur economic growth and enhance public trust in 2021. Notably, only infrastructure retained its position in the top three matters when compared against past survey results (Infrastructure, Macroeconomic environment and Tax & Regulation).

The shift in response is attributed to the run of events in 2020 that exposed fundamental cracks in the society that can not be over emphasized. They include the impact of the twin shocks (i.e., COVID-19 and the oil price crash) on government revenues which induced recessionary conditions, reduction in consumption & trading activities and inflation. Finally, the 'End SARS' protest which reflected the dominant population's increased frustration with the government's inability to deliver on seismic improvements in the socio-economic welfare of the average Nigerian.

Restoring optimism over Nigeria's economic prospects requires increased efforts from both fiscal and monetary perspectives, this will restore growth to either the mid-to-high single digit levels observed in the era between 2000 and 2010, or double-digit expansion. However, the time to act is now.

The 2020 Global Terrorism Index revealed that Nigeria ranked 3rd for the fifth time since 2015. The country's growing insecurity issues ranging from banditry, terrorism, increased kidnapping, herder-farmer related violence, militant Biafran separatists, amongst others, had consequential effects as economic impact hit ₦50 trillion in March 2021.

Recently, stakeholders have expressed concerns over plans to export 'excess' electricity to neighbouring countries, despite the worsening state of power supply across the country. Interestingly, the government recently launched a series of PPPs; this will enable Nigeria to raise US$100million annually, which is required to reduce the infrastructural deficit, more than the US$11million provision for capital expenditure in 2021 federal budget.



2021 Tax Outlook

1. Digitalisation of tax administration and enforcement

The Finance Act, 2020 amends the CITA to recognise emails and other electronic means as approved channels for the FIRS to serve notices of assessments and for taxpayers to submit their objections, respectively.

Further, the Act grants the FIRS power to use digital platforms for tax collection and administration and it is expected that the introduction of electronic communication with tax authorities would lead to faster resolution of tax audits and is expected to commence in 2021.

Also, taxpayers, especially those operating in the digital economy should expect the FIRS to embed its application user interface in their systems for tax administration and collection.

2. Regulatory changes to foreign exchange (FX) environment

The FX environment will likely remain under pressure due to low FX inflows followed by the drop in crude oil prices and prevailing exchange controls. It is expected that the CBN will reform and implement FX policies, coupled with the improvement of the business environment to stimulate the inflow of the much-needed foreign capital into the country.

3. Consensus-based solution to the challenges of taxation of the digital economy under the OECD inclusive framework

The OECD inclusive framework on BEPS Action Point 1 on taxation of the digital economy set up in 2016 was expected to conclude its assignment and issue a consensus approach by December 2020. However, this has been delayed due to the COVID-19 pandemic. The impact of the pandemic on several economies has also led the governments to increase the demand for fair taxation of large internationally operating and profitable businesses.

In October 2020, members of the OECD Inclusive Framework approved the release of the blueprints of pillar one and pillar two ("the blueprint reports") to the public.

The Blueprint Report for Pillar One is designed to deliver a sustainable taxation framework reflective of today's digitalising economy, with the potential to achieve a fairer and more efficient allocation of taxing rights.

The Report reflects the extensive technical work that has been done and provides a solid foundation for a future agreement that would adhere to the concept of net taxation of income, avoid double taxation and be as simple and administrable as possible.

Th**e Blueprint Report for Pillar Two** provides a solid basis for a systemic solution that would address the remaining BEPS challenges and set out rules that would provide jurisdictions with a right to "tax back" where other jurisdictions have not exercised their primary taxing rights, or the payment is otherwise subject to low levels of effective taxation.

These rules would ensure that all large internationally operating businesses pay at least a minimum level of tax. The members of the inclusive framework have reaffirmed their commitment to conclude the Inclusive Framework on BEPS Action Point 1 and issue a consensus approach to taxing the digital economy globally by mid-2021.

4. Issuance of Significant Economic Presence (SEP) Guidelines by the MoF for the Personal Income Tax Act Cap. P8, LFN, 2011 (as amended) (PITA)

The Finance Act, 2020 introduces the SEP rule under the PITA for taxation of income derived by non-resident individuals that provide technical, management, consultancy or professional services to persons resident in Nigeria. The Federal Ministry of Finance, Budget and National Planning (FMOFBNP) is expected to issue an order specifying what would constitute SEP for non-resident individuals, executors, or trustees in Nigeria

5. Enactment of the Petroleum Industry Bill, 2020

On 28 September 2020, the President presented the Petroleum Industry Bill, 2020 (PIB or "the Bill") to the National Assembly for consideration. The bill, which was first presented to the National Assembly in 2008 was yet to be enacted after over 12 years, has heightened uncertainty in the oil and gas sector and hindered inflow of the desired investments thereto. The bill seeks to introduce pertinent changes to the governance, administrative, regulatory and fiscal framework of the Nigerian oil and gas industry, to ensure transparency, strengthen the governing institutions and attract investment capital, among other objectives.

Currently, the PIB is awaiting the report of the petroleum upstream, downstream and gas committee for further deliberation after it passed the second reading at the Senate. However, it is yet to pass the first reading in the House of Representatives. Nonetheless, it is hoped that the National Assembly will complete its review and enact the bill in 2021.

6. Implementation of the Nigeria Police Trust Fund (NPTF) Act

In December 2019, the President signed the NPTF Act ("the Act") into law and directed the Minister of Police Affairs to fast track the implementation of the Act. The Act among other things, requires companies operating in Nigeria to contribute 0.005% of their "net profit" to the fund. Therefore, it is expected that the Board of the NPTF will issue appropriate guidelines that would provide clarity on certain grey areas of the Act for ease of compliance by taxpayers.

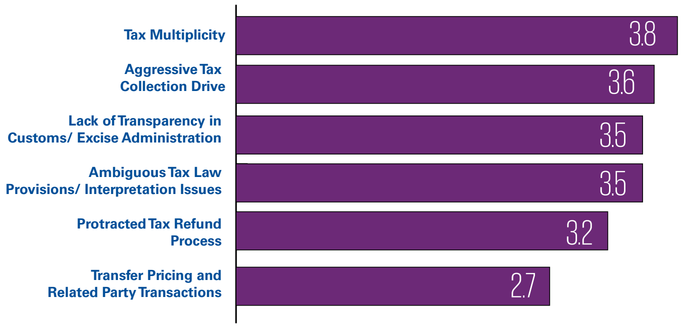
Q6

With respect to the government's thrust on tax policies, how do the following issues rank on your list of concerns?

The recent policy reforms such as the Finance Act 2019 and 2020 suggest the government has learnt from the recent economic recessions, and has prioritised the need to diversify the nation's earnings; by seeking practical ways to boost the nation's non-oil revenues.

However, like 2020, CFOs have highlighted concerns around Tax Multiplicity, Aggressive Tax Collection Drive and Lack of Transparency in Customs/Excise Administration as their top issues around Tax Policies in 2021 (2020: Tax Multiplicity, Ambiguous Tax Law Provisions/Interpretation Issues and Lack of Transparency in Customs/Excise Administration).

In line with the government's ambition to digitalize tax administration and improve tax transparency in Nigeria, the Federal Inland Revenue Service (FIRS) has introduced an online naira tax-filing platform (TaxPro-Max), which is expected to ease tax compliance and accelerate tax-filing procedures. The platform can be accessed at *www.taxpromax.firs.gov.ng.*



"Dealing with multilayered taxation in the system is hurting the SMEs who are the drivers of any economy. There appears to be a lack of coherence and coordination of tax administration which hurts the fragile sector and public trust. The tax administration needs to be harmonised and transparent."

Oluseyi Kumapayi
CFO, Access Bank

SECTION FOUR

Corporate Strategy & Business Outlook

Q7

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

The top three stay-awake issues for CFOs highlighted in our survey report for 2021 are:

- Foreign Exchange
- Tax
- COVID-19

This year, CFOs have expressed increased concerns around foreign exchange and COVID-19, with tax being the only issue repeated when compared to prior years' survey results. Foreign exchange takes the top spot indicating the persistent issues around foreign exchange illiquidity and volatility induced by exogenous factors, which have daunted private sector growth. Going forward, increased oil prices and inflows from external borrowings should provide cushioning for the Central Bank to achieve its exchange rate harmonization mandate, thus providing some respite for businesses.

Furthermore, we have newcomer COVID-19 as the third most important stay awake issue, knocking off "Profitability & Cost management" from the list. As the pandemic continues to evolve, there has never been a more pressing need for businesses to rethink and reconfigure their businesses for a changed world.

As mentioned above, the Naira has seen further depreciation in both the official and parallel market rates by 8.2% and 6.8% to ₦410 and ₦502 respectively, stoking further concerns around the outlook for foreign exchange rate. Moreso, foreign exchange illiquidity has continued to persist due to sustained pressure on foreign reserves (-4.3% YtD to US$33.8bn). Nonetheless, the apex bank has taken steps to mitigate this decline by implementing the now indefinite naira for dollar scheme – to stimulate remittance inflows, and the continuous restriction of access to fx on 45 items - demand management.

In addition, COVID-19 vaccine distribution has been low as less than 2 million Nigerians under 1% of the population have been vaccinated as at 15th of June.

On Tax matters, the new tax administration solution (TaxPro-Max) is expected to optimise the tax payment process, by making it easier and faster.

"Firstly, Government's regulation and Technology and its impact on the business and then safety, security and overall wellbeing of our staff, consumers, and suppliers in these turbulent times."

Anthonia Agbonifo
ED/DMD/CFO Food Concepts Plc

Q8

As the CFO of your organisation, what do you spend most of your time doing?

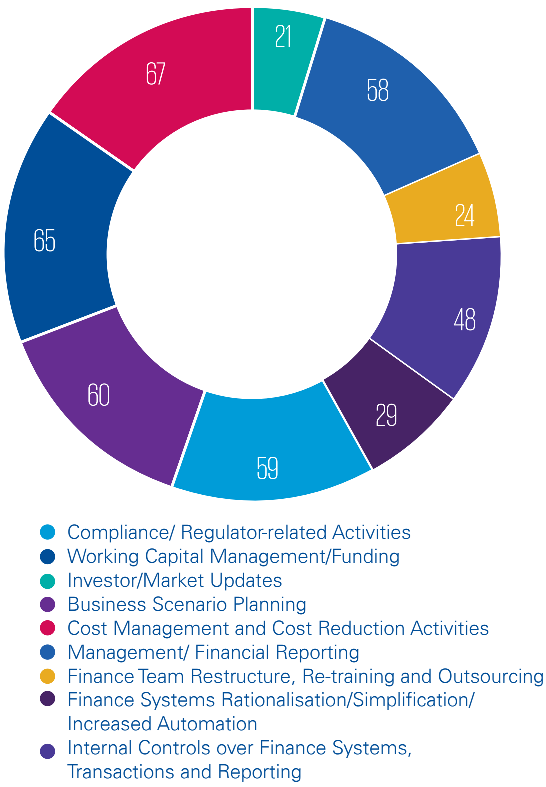
In this year's survey, the top three activities of CFOs are:

- Cost management and cost reduction activities
- Working capital management / funding
- Business scenario planning

Cost management and cost reduction activities top the list of management's efforts to adapt to recessionary conditions. This contrasts with 2020's results which pinpointed strategy related activities as the top activity for CFOs. Secondly, working capital management/funding also reflects the impact of the twin shocks in terms of the naira devaluation and foreign exchange illiquidity.

Presently, CFOs are prioritising continuous business scenario planning to adapt to the evolving business environment. This is a critical action for business sustainability given the current realities.

Following the uptick in Nigeria inflation rate – increase from 16.5% y/y in January 2021 to 17.9% y/y in May 2021 – cost management and reduction will continue to be a major challenge for businesses. The uptick has been driven by supply chain disruptions, insecurity and cost of logistics.



"Business Partnering i.e. increased business intimacy and knowledge to transform Finance practitioner from "regulators" to trusted business partners which require working with the business to deliver its performance promises will have a significant impact in improving the effectiveness of the finance function."

Solomon Okodugha
CFO Oilserv Limited

Extreme Automation – Future of Finance

Digital disruption is now the new normal and technology disruptors are some of the largest drivers of change in business today.

Technological disruption is affecting all corners of business, and finance is no exception. Indeed, extreme automation—the confluence of robotics, advanced analytics, cloud applications, blockchain, and more is expected to empower finance to deliver more value with less effort, respond quickly to the needs of the business, and truly shift from traditional processing to strategic partnering.

For example, instead of providing reactive answers to unforeseen problems, the finance organisation of the future may deliver predictive insights to drive growth and will likely have as-a-service architectures for instant agility and scalability instead of siloed people-intensive processes. Finance will likely be part of end-to-end automated process with real-time cross-functional data for dynamic reporting and analysis.

Consequently, organisations need to reimagine their operating model and develop a long-term strategy for extreme automation that is aligned with the enterprise strategic vision.

In response to disruptions, leading CFOs are transforming their own operating models by addressing the following questions:

- How will disruptive technology impact our finance operating model in the next year? In the next five (5) years? In the next ten (10) years?
- How will our current delivery model and locations be impacted? How can we effectively integrate disruptive technologies?
- What are the new skill sets required of our workforce and how will we hire and train the finance organisation?
- How do we maintain, or improve governance of financial processes and controls?

Finance must embrace the disruptors of today to transform their own operating models and unlock an environment of extreme automation.

Impact of digital disruption on the finance function

Disruptors will revolutionise the finance operating model resulting in never before seen heights in dimensional maturity.

Virtual service delivery

- Extreme automation is challenging traditional outsourcing delivery models
- Reduced labour requirements
- Centralised end-to-end process management

Extreme process automation

- Extreme process automation and accuracy performed digital labour technologies
- Advanced process collabouration and business partnering

Technology Agility

- Real-time, constant integration across systems requiring less human intervention
- Instant scalability and agility enabled by “everything as a service” architectures
- “Strategist” skill set
- Elevated insights and analytical skill sets augmented by digital capabilities

Dynamic insights

- Automated proactive data management without the need for harmonisation or alignment
- Increased information ingestion and insight extraction
- Real-time dynamic reporting anytime, anywhere

Digital governance

- Automated governance through built-in financial controls leads to risk elimination and reduced governance costs
- Enhanced visibility and governance of end-to-end processes

What are finance organisations doing wrong with regard to digital?

- Organisations are approaching technology with an incremental mindset
- Poorly planned and disjointed proof of concepts
- One-off pilots
- Multiple technologies which are rarely integrated
- Few addressing harder scalability questions
- Underestimating importance of human integration
- Intelligent automation solutions focused on specific processes and lack integration with existing technology

How can organisations correct this?

- Comprehensive digital strategy, standards for adoption and value management
- Integration of multiple technologies
- Deploying all at once and at an aggressive pace
- Integrate with people and look across end-to-end processes
- Aggressively pursue opportunities with a focus on high value pursuits

How to get started? – Key Considerations

- **Strategise –** *Do you have a digital strategy?*
  - Strategise to combine extreme automation technologies that work together rather than opt for piecemeal tactics
  - Look to reinvent processes or functions. Ensure tight integration with other technology efforts such as cloud, blockchain and advanced data and analytics
  - Nominate a top-level champion who understands the digital strategy and the vision to direct it effectively

- **Understand -** *Do you have an understanding of your current and aspirational digital landscape?*
  - Intelligent automation, while enabled by technology is a business issue and opportunity
  - Rethink your core operating models in the context of the advances extreme automation can enable. It is about reinventing the business, not pursuing a series of technology investment projects

- **Evaluate -** *How are you evaluating digital opportunities and determining the highest areas of return?*
  - Routinely evaluate progress against the digital strategy. Take what works and scale. Take what does not and pivot or move on
  - Ensure adequate change management programs are in place to manage the transition from human to digital labour

- **Reskill -** *Do you have the roles to enable your digital strategy?*
  - Understand what new skills are required in order to retrain and reskill based on a defined 'workforce of the future'
  - Identify staff best suited for retraining program and conduct a targeted workforce shaping to bridge skill gaps
  - Develop the tools and framework to enable self-development in innovative capabilities

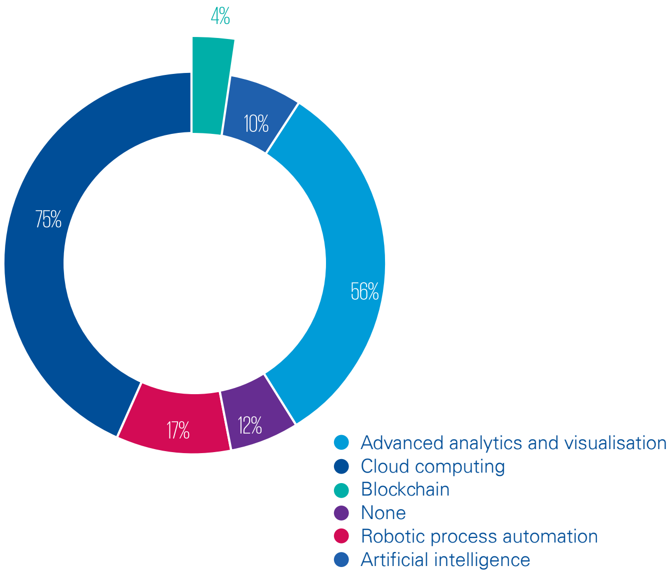
Q9

Which of the following technologies have you employed in improving the efficiency and effectiveness of your finance function?

From this year's survey, CFOs revealed Cloud computing as well as Advanced analytics and visualisation has helped to improve the efficiency of their finance functions.

Prior to now, most businesses operate on-premise accounting systems and enterprise solutions. These solutions however require dedicated on-premise IT personnel and have become less reliable in the light of the social restrictions and virtual arrangements caused by COVID-19 guidelines. Hence, more businesses are embracing cloud computing to increase operational efficiency, employee communication, collaboration, and data security.

On the other hand, organisations have identified the benefits of deploying advanced analytics and visualisation to aid effective decision-making. Decisions around reducing operational costs and increasing revenues can become seamless mainly through capturing the relevant data and deploying appropriate methods to analyse revenue trends and forecast business performance.



Considerations for Finance Automation Journey

- **Identify and prioritize the finance areas for automation**
- **Develop a multifaceted strategy and road map for implementing automation in the finance organisation**
- **Select the right providers and partners to assist with the automation journey and road map**
- **Establish a governance strategy to help oversee the finance automation program and ensure benefits expected are realised**
- **Establish a change management strategy to ensure effectiveness of adoption of automation throughout Finance**

KPMG CFO Advisory Capabilities

- We have extensive experience in delivering CFO advisory solutions that have transformed finance functions across the globe. We have delivered locally and globally on projects for a number of clients in various industries and sectors of the economy.
- With our international network of offices across the globe, we are well positioned to provide leading recommendations and solutions to meet the finance function strategy and transformation requirements.
- With a modern information technology backbone and an up-to-date knowledge management system, our professionals are kept abreast of the latest developments in the finance world. These facilities equip us to work with you to transform and position your finance function strategically in an efficient and value adding way.

Finance Function Transformation

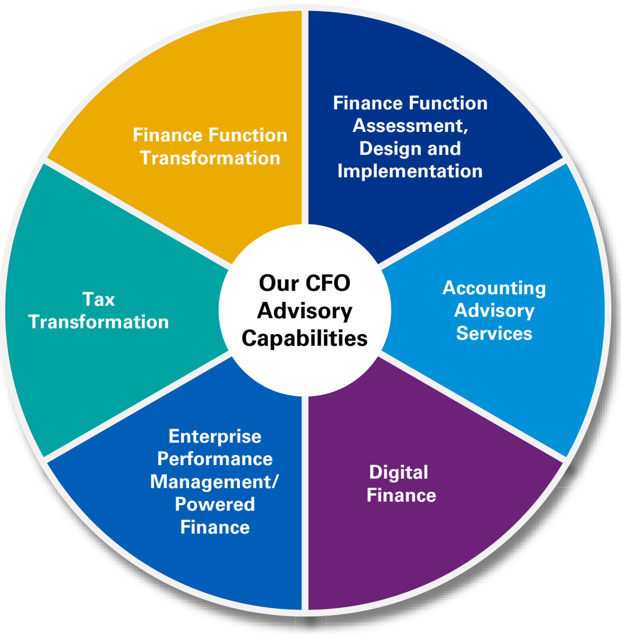
- Finance Vision and Strategy
- Finance Technology Transformation (including Powered Finance)
- Target Operating Model and Organizational Design
- Finance Talent Management
- Finance Business Partnering
- Finance Integration & Separation

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

Enterprise Performance Management/ Powered Finance

- Strategic Planning and Strategy Formulation
- Predictive Modeling
- Digital Dashboards
- Enhanced Forecasting Accuracy
- Driver-based Planning



Finance Function Assessment, Design and Implementation

- Finance System Design
- Finance Function Process Maturity Assessment
- Finance Function Process Benchmarking
- Change Analytics and Impact Management

Accounting Advisory Services

- Outsourced Accounting and Financial Reporting Services
- Accounts Clean-up and Reconciliation Services
- Asset Verification and Reconciliation Services
- Finance Resource Support Services
- Technical Accounting Advice
- IFRS Conversion/ Accounting Support
- Financial Reporting Process Advisory
- Capacity Building/Training solutions
- Accounting System Implementation Support for Mid-range Solutions

Digital Finance

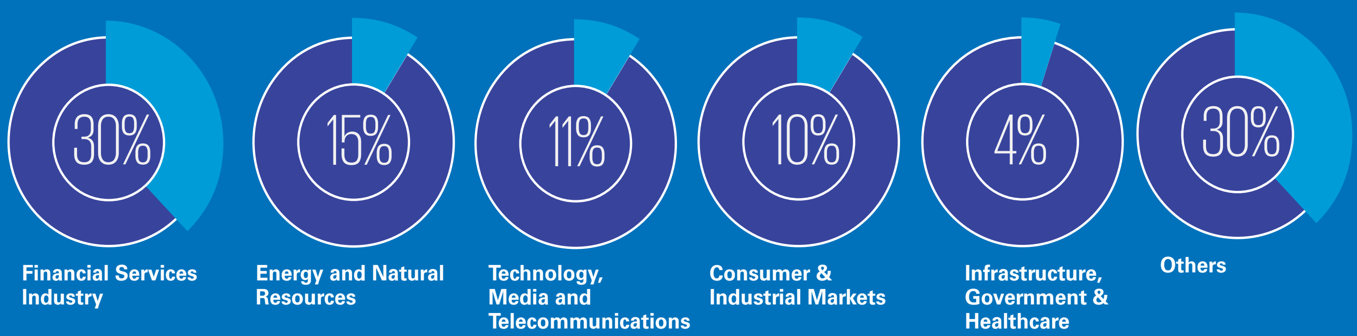
- Automation and Robotics (for Finance Processes)
- Data Visualization
- Advanced Analytics for Finance

About the survey

KPMG International's global survey of CFOs and other senior finance executives of organizations worldwide is one of the most comprehensive and long-running survey series of its kind. Iterations of our global CFO surveys and research papers have been conducted regularly since 2006, charting the evolution of finance departments and identifying leading financial management practices of high-performing companies.

This report presents our findings from the 2021 CFO Outlook Survey conducted by KPMG in Nigeria which consists of nine (9) questions. CFOs and Heads of Finance in leading organisations across all major sectors in Nigeria shared their opinions on the outlook for their businesses, their strategies for cost and risk management and the priorities for an enabling environment.

The distribution of our respondents across the sectors is illustrated below:



This report is based mainly on the findings from the survey. In addition to this, we incorporated feedback from organised interviews with selected CFOs across the key sectors of the economy. We have also leveraged other KPMG International survey reports and financial management thought leaderships to ensure that the report provides necessary insights into some of the critical themes identified in the survey.

Contact us

Tola Adeyemi
Partner & Head
Audit Services
T: +234 803 200 1746
E: tola.adeyemi@ng.kpmg.com

Lawrence Amadi
Partner
IT Assurance & CFO Advisory
T: +234 803 535 3082
E: lawrence.amadi@ng.kpmg.com

Nike James
Partner
Tax, Regulatory & People Services
T: +234 803 402 1051
E: nike.james@ng.kpmg.com

Bolanle Afolabi
Associate Director
Accounting Advisory Services
T: +234 803 975 4085
E: bolanle.afolabi@ng.kpmg.com

Segun Sowande
Partner & Head
Management Consulting
T: +234 803 402 0994
E: segun.sowande@ng.kpmg.com

Ajibola Olomola
Partner
Tax, Regulatory & People Services
T: +234 803 402 1039
E: ajibola.olomola@ng.kpmg.com

Uzochukwu Obienu
Associate Director
Tax, Regulatory & People Services
T: +234 803 462 4555
E: uzochukwu.obienu@ng.kpmg.com

Omolara Ogun
Associate Director
Audit Services
T: +234 808 200 0128
E: omolara.ogun@ng.kpmg.com

home.kpmg/ng

Publication name: CFO Outlook Survey

Publication date: June 2021