KPMG 2022 CEO Outlook

Growth strategies in turbulent times

KPMG in Singapore

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Finding opportunity in uncertainty

Tested by enormous challenges in quick succession — a global pandemic, inflationary pressures and geopolitical tensions — it's encouraging that CEOs, surveyed in our 2022 CEO Outlook, were confident in their companies' resilience and relatively optimistic in their own growth prospects.

While it's unsurprising the economic climate is now a top concern for business leaders, over these past few years, they've learned to navigate the unpredictable, realigning their workforces, untangling supply chain disruptions and adapting to geopolitical and economic impacts. As the possibility of recession looms, many are already prepared with a deep focus on planning and agility. And some see opportunities through this fog of uncertainty brought on by the promise of technology, talent and ESG.

Bill Thomas
Global Chairman and CEO
KPMG

The 2022 CEO Outlook draws on the perspectives of 1,325 global CEOs across 11 markets to provide insight into their 3-year outlook on the business and economic landscapes. The survey also reveals shifts in strategy and viewpoints from the KPMG CEO Outlook Pulse Survey, conducted ahead of the Russian government's invasion of Ukraine.

Finding opportunity in uncertainty

CEOs worldwide are displaying greater confidence, grit and tenacity in riding out the short-term economic impacts to their businesses – as seen in their rising confidence in the global economy and their optimism over a three-year horizon.

These findings from the KPMG 2022 CEO Outlook come at a time of opportunity for Singapore, which has shifted from managing the pandemic towards pushing for economic growth. Top executives here have shown that they feel well prepared to seize the opportunity of the next wave of economic growth.

With the country positioning for the future, the focus of businesses will be on how they can transform themselves and pivot their business models to gain market share amid intense global competition, regardless of disruptions and geopolitical developments. As ESG responsibilities of CEOs come to the fore, business leaders will also have to decide how they can convincingly communicate what they stand for and align these with purpose-driven outcomes.

Taking these decisive steps, along with a continued focus on corporate digital transformation and employee value proposition, will be paramount in a period of uncertainty and change.

Ong Pang Thye
Managing Partner
KPMG in Singapore

Four key themes emerged from this year's CEO Outlook:

Economic outlook

CEOs are ready and prepared to weather current geopolitical and economic challenges while still anticipating long-term economic growth.

Optimism in growth remains

Despite geopolitical and economic challenges, global economic confidence over the next 3 years has rebounded from early 2022, rising to 71 percent globally and 72 percent in Singapore.

Preparing for a recession

86 percent of global CEOs believe a recession over the next 12 months will happen, but 58 percent feel it will be mild and short and 76 percent have plans in place to deal with it.

Managing geopolitics

Geopolitical uncertainties will continue to impact strategies, with 72 percent of Singapore CEOs adjusting or planning to adjust their risk management procedures.

Technology

CEOs are directing digital investment to areas of their business that drive growth, with an emphasis on partnerships and preparedness.

Emerging tech top growth risk

Disruptive technology has emerged as the number one risk to organizational growth.

Staying on the right track

More than ever, investment should be tied to growth and 70 percent of CEOs say they need to be quicker to shift investment to digital opportunities and divest in those areas where they face digital obsolescence. 68 percent of CEOs in Singapore are prioritising capital investment to buy technology that can help capture opportunities.

Cyber as a strategic function

The cyber environment is evolving quickly — and 60 percent of Singapore CEOs see information security as a strategic function and a potential source of competitive advantage. An equal proportion also cite cyber strategy as critical in engendering trust with key stakeholders.

Talent

CEOs are changing how they support and attract talent, and their efforts are buoyed by a focus on their people and experimenting with ways of working.

Talent a top operational priority

In the long term, the employee value proposition to attract and retain the necessary talent is tied as the top operational priority to achieving 3-year growth objectives.

Economic slowdown driving short-term freezes

In the short term, 48 percent of Singapore CEOs have implemented a hiring freeze, and 60 percent are considering downsizing their employee base over the next 6 months.

Fostering a spirit of experimentation

Remote working has had a positive impact on hiring, collaboration and productivity over the past 2 years, but 65 percent of global CEOs see inoffice as the go-to office environment over the next 3 years, similar to the 60 percent of CEOs in Singapore.

ESG

CEOs are balancing the need to build resilient and transparent ESG plans with the possibility of having to pause or reconsider their approaches.

Accelerating ESG expectations

Singapore CEOs increasingly agree that ESG programs improve financial performance, sitting at 56 percent, up from 40 percent 1 year ago.

ESG impact on supply chains

CEOs increasingly see reporting and transparency as important to their ESG goals — and this includes insight into their broader supply chain.

Diversity ramping up progress

Global businesses are seeing major focus put on the social aspect of ESG: 68 percent of global CEOs believe progress on inclusion, diversity and equity (IDE) has moved too slowly in the business world, and 72 percent of Singapore CEOs believe scrutiny of IDE performance will continue to increase over the next 3 years.

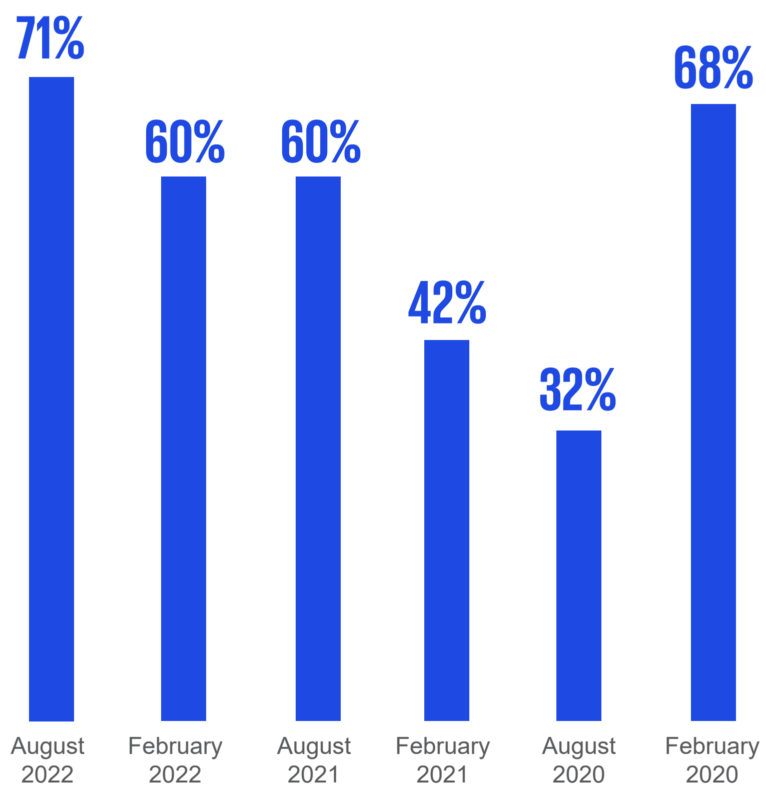
Economic outlook

Optimism in long-term growth remains

The KPMG 2022 CEO Outlook surveyed global CEOs on their 3-year outlook on the business and economic landscapes. Despite geopolitical and economic challenges, global economic confidence over the next 3 years has rebounded from early 2022, rising to 71 percent. In Singapore, CEOs are slightly more optimistic than their global peers at 72 percent.

As companies continue to navigate the changing landscape resulting from the COVID-19 pandemic, 85 percent of global CEOs report positive growth expectations in 2022; steady from early 2022 and down slightly from 2021 (87 percent). Singapore's top executives are slightly more muted in their expectations, with 76 percent of CEOs positive about company growth prospects in 2022.

Growth prospects for the global economy over the next 3 years - Global



Source: KPMG 2022 CEO Outlook

Global CEOs anticipate a recession — but they're prepared

While confidence is up over the next 3 years, CEOs anticipate challenges in the shorter term. Nearly nine out of 10 (86 percent) CEOs believe a recession over the next 12 months will happen, but three out of five (58 percent) feel it will be mild and short and 76 percent have plans in place to deal with it. CEOs' short-term recession fears combined with their increased economic confidence over the longer term may indicate that global CEOs are confident they can navigate their businesses through the turbulent times ahead. In fact, when asked about their confidence in the resiliency of the global economy over the next 6 months, 73 percent were positive, up 13 percentage points from February 2022.

While CEOs may be resilient, they're also realistic about the challenges ahead. Seventy-three percent of global CEOs believe a recession will upend anticipated growth over the next 3 years, and three-quarters (75 percent) also believe a recession will make post-pandemic recovery harder. Seventy-one percent of global CEOs predict a recession will impact company earnings by up to 10 percent over the next 12 months, while this stands slightly higher at 80 percent in Singapore.

However, they feel far more optimistic than their global peers on the longer term outlook, with less than half (44 percent) of Singapore CEOs saying that a recession would upend their anticipated growth over the next 3 years. Singapore CEOs still expect to see growth in company earnings over the next 3 years, but they have since reined in their expectation with a majority (60 percent) suggesting an earnings outlook of between 2.5 percent and 4.99 percent per annum.

Compared to previous years, CEOs are better prepared to weather short-term challenges with resiliency measures in place to manage impacts while still anticipating long-term growth. The top three steps that CEOs globally have taken include: boosting productivity (50 percent), managing costs (43 percent) and reconsidering digital transformation strategies (40 percent).

To limit recession-driven disruption, 88 percent of Singapore CEOs have embarked on a hiring freeze or are planning to do so in the next 6 months. This is also high on the list for 74 percent of CEOs globally. Other precautionary steps that CEOS in Singapore have taken or considered include diversifying their supply chain (92 per cent).

When asked to take a three-year view, Singapore CEOs are more optimistic than their global peers – 92 percent expect to eventually increase their headcount up to 10 percent, while the remaining 8 percent believe that it will stay the same. Globally, 21 percent of CEOs expect either the same or a further reduced headcount.

Singapore CEOs

88%

Have implemented a hiring freeze or are planning for one

80%

believe that a recession will impact up to 10% of earnings

Top risks looking toward 2025

Pandemic fatigue and economic factors — including the threat of rising interest rates and inflation — top the list of most pressing concerns for CEOs today at 15 percent and 14 percent, respectively. As we look to the next 3 years, risks are more interconnected than ever. Emerging technology (not seen in the top five last year) rises in rank as the top risk and greatest threat to organizational growth. Operational, regulatory and reputational concerns also jumped into the top five.

Even as they take steps to insulate their businesses from the upcoming recession, CEOs in Singapore are also more aware of the broader public scrutiny on their corporate purpose and ESG accountability, reflected by their choice of reputational risk (20 percent) as the top concern. However, economic pressures remain a real concern with over half of CEOs in Singapore (52 percent) mulling over whether to pause ESG efforts in the next six months.

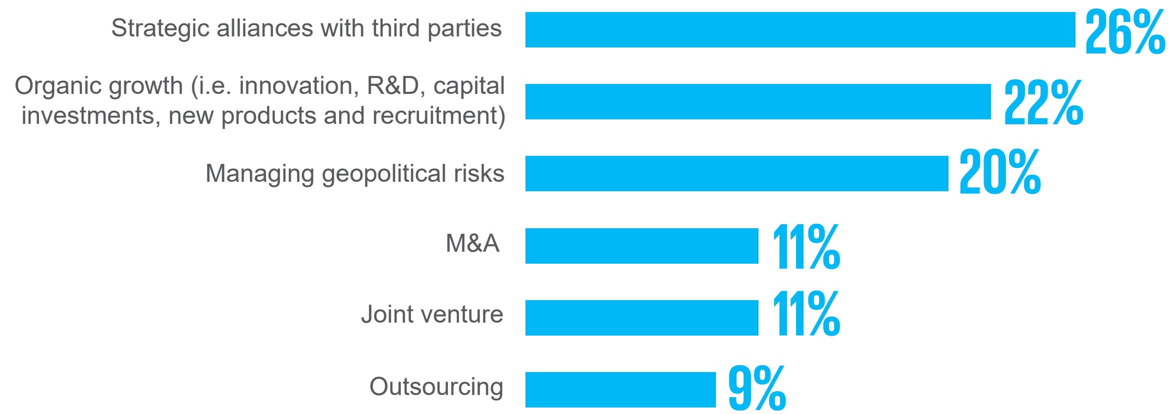
	Global		Singapore	
1	15%	**Pandemic fatigue** (or continued uncertainty/ restrictions)	20%	**Reputational risk** (in view of broader scrutiny by customers and public in relation to corporate purpose and ESG, among other factors that could impact reputation)
2	14%	**Economic factors** (like rising interest rates, inflation, and anticipated recession)	16%	**Economic factors** (like rising interest rates, inflation, and anticipated recession)
3	11%	**Emerging/ disruptive technology** (technological advancement disrupting the market or company, including flows of data)	12%	**Pandemic fatigue** (or continued uncertainty/ restrictions) **Emerging/ disruptive technology** (technological advancement disrupting the market or company, including flows of data) **Regulatory concerns** (business disrupted due to change or fragmentation in regulation)

Managing geopolitical risk

Strategic alliances (26 percent), organic growth (22 percent) and managing geopolitical risks (20 percent) top the list of the most important strategies for achieving organizational growth objectives over the next 3 years for CEOs globally.

CEOs indicate that geopolitical uncertainties will continue to impact their strategies and supply chains over the next 3 years. In fact, 81 percent of global CEOs, along with 72 percent of Singapore CEOs, have adjusted or plan to adjust their risk management procedures considering geopolitical risk. In addition, 28 percent of Singapore CEOs say they will be increasing measures to adapt to geopolitical issues to achieve their growth objectives, slightly higher than the 21 percent of global CEOs.

Strategies important for achieving growth objectives over the next 3 years - Global



Source: KPMG 2022 CEO Outlook

> **The combination of uncertainty, delays and price fluctuations is forcing some executives to significantly shift their priorities and pivot their business models, in an attempt to maintain their growth and confidence as they enter an incredibly challenging period.**

Regina Mayor
Global Head of Clients and Markets
KPMG

With geopolitics a key agenda item in 2022, CEOs need be knowledgeable on the subject and how to navigate the risks. It's important to make a geopolitical risk assessment part of their overall strategy.

One of the key learnings from the last year for TV Narendran, CEO of Tata Steel, has been the importance of building supply chain resilience, brought to the forefront of the business agenda following the pandemic and geopolitical uncertainties. "The pandemic and the events in Europe have shown us how interconnected we are as a world," he says. "To me, geopolitical issues are the number one risk. I think we all need to build optimized and resilient supply chains."

Although a resilient supply chain may not be the most cost efficient, he believes disruption and change can bring opportunity. "There are opportunities to rethink business models and operating models, as well as build the necessary green infrastructure."

The pandemic and the events in Europe have shown us how interconnected we are as a world. To me, geopolitical issues are the number one risk. I think we all need to build optimized and resilient supply chains.

TV Narendran
Chief Executive Officer and Managing Director
Tata Steel

Increasing mergers & acquisitions (M&A)

Over the next 3 years, M&A appetite remains high despite economic concerns. Forty-seven percent of CEOs have high appetite, and 38 percent moderate, a significant shift from 23 percent high appetite in early 2022. Similarly, in Singapore, 44 percent of CEOs are showing a high M&A appetite and 40 percent are moderate. With higher interest rates and borrowing costs, rapid innovation will be key to stay competitive. Deal makers may be taking a much sharper pencil to the numbers and focus on value creation to unlock and track deal value, every step of the way.

> "Taking lessons from the pandemic, Singapore CEOs are positioning to stay competitive in the face of recession-driven disruptions, as they proactively manage their risks and double down on business transformation efforts. In order to stay ahead of the curve, business leaders will need to keep a pulse on trends of the evolving business landscape and stand ready to execute targeted strategies to protect long-term growth."

Chiu Wu Hong
Head of Private Enterprise
KPMG in Singapore

Digital transformation in uncertainty

Emerging technology lands as top growth risk

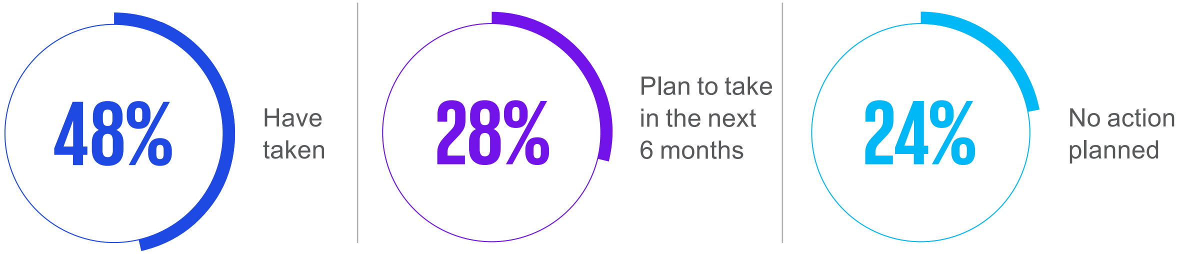
CEOs are keeping technology risk front of mind in the short and long term. Global business leaders rank disruptive technology as the top risk and greatest threat to organizational growth over the next 3 years. And while pandemic fatigue and economic factors like rising interest rates and inflation are top of mind over the next 6 months, emerging and disruptive technology is a close third - similar to the concerns of CEOs in Singapore. In the face of these risks, business leaders continue to prioritize digital investment — with 72 percent of global CEOs, along with 60 percent of Singapore CEOs, agreeing they have an aggressive digital investment strategy, intended to secure first-mover or fast-follower status.

Furthermore, advancing digitalization and connectivity across the business featured as the top operational priority to achieve growth for global CEOs, and the second most pressing priority for Singapore CEOs, over the next 3 years. 69 percent of global CEOs and 48 percent of Singapore CEOs believe that driving digital transformation at a rapid pace will be critical to competition for talent and customers. This focus on digital transformation may also be driven by increasingly flexible working arrangements and heightened awareness of cyber security threats, exacerbated by geopolitical uncertainty. At Fujitsu Limited, President and CEO Takahito Tokita is on a mission to transform the organization from a traditional IT company into a purpose-driven digital experience organization. “We have always been confident in our technology and innovations but in our conversations with clients, we realized they needed more than just products — they needed integrated, value-adding capabilities to help advance their own digital transformations. I said that we would change from an IT to digital experience company to meet that demand and reflect a sense of urgency that we are not going to be a company that just follows old traditions.”

“We have always been confident in our technology and innovations, but in our conversations with clients, we realized they needed more than just products — they needed integrated, value-adding capabilities to help advance their own digital transformations.”

Takahito Tokita
CEO
Fujitsu Limited

Have Singapore CEOs taken steps to pause or reduce digital transformation strategies to prepare for a recession?



Source: KPMG 2022 CEO Outlook

Staying on the right track

The anticipated slowdown may be pushing businesses to reconsider their strategies. 76 percent of CEOs in Singapore note that their businesses are pausing or reducing their digital transformation strategies to prepare for the anticipated recession (48 percent have paused or reduced, and 28 percent plan to pause or reduce over the next 6 months). At the same time, more than half (56 percent) say they need to be quicker to shift investment to digital opportunities and divest in those areas where they face digital obsolescence.

Digital transformation has become more expensive in recent years, so more than ever, investment should be prioritized in those areas that help drive growth — and potentially slowed or reconsidered on efforts that may be considered non-critical. In uncertain times, it is imperative businesses focus their digital investments on impactful, and measurable, value creation opportunities most able to support their strategic goals.

Bringing people and technology together

CEOs globally continue to narrow the gap between their digital transformation objectives and investing in their workforce. CEOs were offered a binary choice: whether they were investing more in placing more capital investment in new technology (56 percent) or developing their workforce's skills and capabilities (44 percent). This gap has narrowed from 2021, when 60 percent prioritized technology investment over workforce-related investments (40 percent).

As businesses have implemented their digital tools, their attention has shifted to adoption, engagement and change management in order to support their people working in a very different world. To drive their growth, CEOs may be looking to make their existing people more productive through transformation.

Building successful partnerships

Few organizations can succeed on their own. Businesses rely on their ecosystems, as building successful partnerships can help a company deliver a competitive edge. More than half of CEOs surveyed – 71 percent globally and 56 percent locally – view partnerships as an important means to continue the pace of their digital transformation. For global and Singapore CEOs respectively, building strategic alliances with third parties is also the top and second most important strategy to help them reach their growth objectives over the next 3 years. It has become more important for businesses to partner with companies (e.g. start-ups, fintech and more) that can help them, bringing agility and resilience to growth. To bring everything together and drive a successful transformation, CEOs need the right partners and the ability to connect it all.

> “CEOs in Singapore are keeping a close watch on technology risk, even as they look to advance digitalization and connectivity across their businesses in a bid to attract talent and customers. These concerns have been heightened amid global uncertainty and the emergence of disruptive technology. Experience will certainly give CEOs a clearer roadmap of how to mitigate these challenges but continued digital investments and a focus on leveraging cyber as a strategic function will need to form the foundations for success.”

Bradley Styles
Head of Digital Trust
KPMG in Singapore

Cyber as a strategic function

While other risks may now feature as top concerns for global CEOs, the cyber environment is evolving quickly and 77 percent see information security as a strategic function and a potential competitive advantage. 60 percent of Singapore CEOs share this sentiment and an equal proportion cite cyber strategy as critical in engendering trust with key stakeholders. Geopolitical uncertainty is also increasing concerns of corporate cyber attacks for many CEOs globally (73 percent) compared to previous years (61 percent in 2021). In fact, three out of four CEOs (76 percent) globally and 60 percent of CEOs locally say that protecting their partner ecosystem and supply chain is just as important as building their own organization's cyber defences.

Growing experience of the challenges of cyber security is also giving CEOs a clearer picture of how prepared — or underprepared — they may be. More global CEOs recognize they're underprepared for a cyber attack, with 24 percent admitting so in 2022, compared to 13 percent in 2021; this year, 56 percent say they're prepared, about level with last year. Singapore CEOs are more confident in their cyber defences this year than their global counterparts, with 72 percent saying they are prepared for a cyber attack; only 12 percent of Singapore CEOs admit they are underprepared, on par with last year. At the same time, about three-quarters of leaders – 72 percent globally and 76 percent in Singapore – say their organization has a plan in place to deal with a ransomware attack, compared to 65 and 84 percent respectively in 2021. The rapid increase in cyber attacks, coupled with the increasing difficulty of detecting attacks on time, calls for automation and innovation in dealing with cyber incidents.

Alexis George, CEO of AMP, acknowledges that cyber security risk is increasing as AMP grows its digital capabilities. "Cyber security is absolutely one of the biggest risks for our industry as we face the future. We manage our risks well, but like any organization, our data is a target. Privacy breaches and scams are threats, and cyber criminals are increasingly sophisticated, but that is the nature of the digital financial landscape. We must continue to adapt, prepare and respond.

> "It's no surprise that more than half of CEOs responded that they are placing more capital investment in buying new technology. These investments include an emphasis on cyber security culture, which CEOs say is just as important as building technological controls as fears of a cyber attack grow as a result of geopolitical uncertainty."
>
> **Carl Carande**
> Global Head of Advisory
> KPMG

Fostering workforce resilience

Talent a top operational priority

How CEOs support and attract talent is changing because of the challenging global economy and CEOs' growth goals. The employee value proposition to attract and retain the necessary talent is the top operational priority to achieving 3-year growth objectives for leaders across the board. This factor is ranked first by 25 percent of global CEOs and 32 percent of Singapore CEOs, up from 19 percent and 24 percent respectively in 2021. About two-thirds of CEOs – 71 percent globally and 60 percent in Singapore – agree that the ability to retain talent with the pressures of inflation and rising costs of living are top of mind, as are the long-term impacts to organizations from the pandemic and geopolitical tensions.

A business's ESG approach is increasingly seen as a differentiator when it comes to attracting and retaining talent. Of the CEOs who mentioned they were seeing significant demand for greater ESG transparency and reporting, one-quarter (26 percent globally and 28 percent in Singapore) noted the biggest demand was coming from employees and new hires. They also note that one of the primary downsides to not meeting ESG expectations were recruitment challenges (22 percent of global CEOs) and disengaged employees (24 percent of Singapore CEOs), right behind the ability to raise financing.

Nicola Downing, CEO of Ricoh Europe, says having the right people with the best skills is integral to Ricoh's vision and strategy for the future. "We have had an opportunity to really focus on our employees — to be more open and honest about things like mental health and wellbeing. We've invested in training our people, pushing for change and updating skills to match our new innovations, portfolio and what our customers need. We want our people to move with us. The skills our team needs today are different from what we planned for, because the challenges facing global business, and the pace of change and transformation, has definitely increased."

	Global		Singapore	
1	25%	Employee value proposition to attract and retain the necessary talent Advancing digitalization and connectivity across the business	32%	Employee value proposition to attract and retain the necessary talent
2	21%	Increasing measures to adapt to geopolitial issues	28%	Advancing digitalization and connectivity across the business Increasing measures to adapt to geopolitial issues
3	19%	Inflation-proofing capital and input costs	12%	Inflation-proofing capital and input costs

Economic slowdown driving talent freezes

With an economic slowdown on the horizon, there's a significant short-term emphasis on hiring freezes and headcount reductions: 39 percent of CEOs globally have already implemented a hiring freeze, and 46 percent are considering downsizing their workforce over the next 6 months. More caution has been observed by CEOs in Singapore, with 48 percent having already halted hiring temporarily while close to two thirds (60 percent) are planning to reduce headcount in the coming months. But when CEOs take a longer-term view, 79 percent globally and 92 percent in Singapore expect their organization's headcount to increase over the next 3 years, and CEOs across the board are still investing in their existing workforce, with more than half focused on boosting productivity in the short and medium term.

We have had an opportunity to really focus on our employees — to be more open and honest about subjects including mental health and wellbeing. We've invested in training our people, pushing for change and updating skills to match our new innovations, digital service portfolio and changing customer needs. We want our people to move with us.

Nicola Downing
Chief Executive Officer
Ricoh Europe

Preparing for an anticipated recession

39% of global CEOs vs **46%** of Singapore CEOs

have implemented a hiring freeze

46% of global CEOs vs **60%** of Singapore CEOs

may consider downsizing their employee base in the next 6 months

Source: KPMG 2022 CEO Outlook

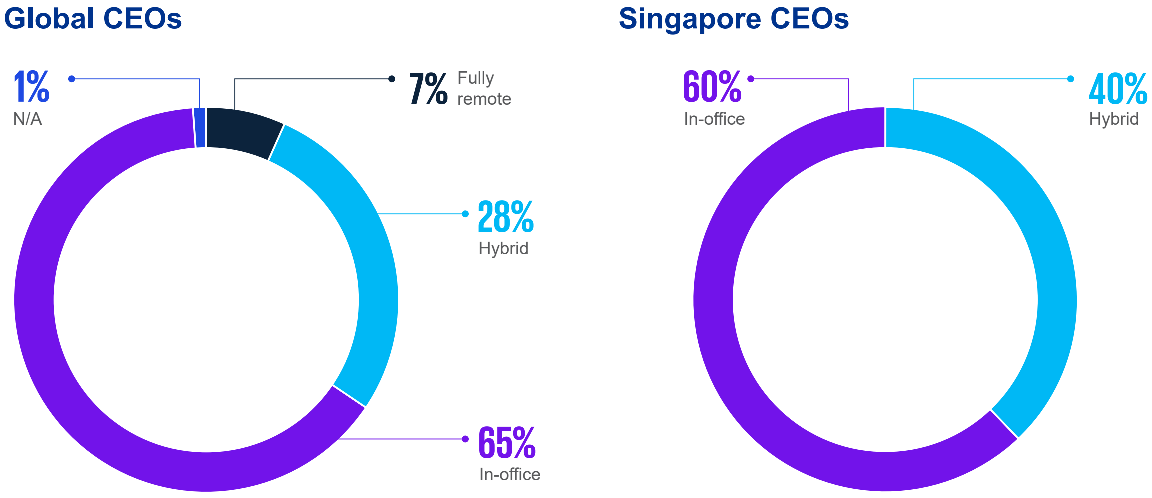
Fostering a spirit of experimentation

Hybrid/remote working has had a positive impact on hiring, collaboration and productivity over the past 2 years. However, many multinational organizations are launching return-to-office plans to usher in a "return to normal", and 65 percent of global CEOs envision in-office as the go-to office environment in 3 years' time. A similar trend is noticed in Singapore, where 60 percent of CEOs here see reverting to in-office as the default mode of work.

Employee expectations when it comes to remote work are evolving, so it's important for CEOs to develop a better working structure that suits their people in what is still an emerging area.

Even if the supply-demand side of labor shifts in favor of businesses (giving managers more scope to insist on being in-office), CEOs need to make sure their people have purposeful interactions. How do CEOs define what an optimal structure looks like? Now is the time to experiment and see what works best. Active listening, empathetic communications and a commitment to finding the right balance over the long term will be key.

Ideal working environment over the next 3 years



Source: KPMG 2022 CEO Outlook

> “As the world collectively contemplates the future of work and what it means to embody trust and purpose, attracting and retaining the quality talent will be top of mind for businesses across all sectors – more so than before. CEOs will have to rethink how they keep employees engaged and motivated, while fostering an inclusive and equitable workplace culture, as these may directly influence their bottom line and their impact on the environment and society.”

Ram Lakshminarayanan
Head of People & Change
KPMG in Singapore

Great ESG expectations

Accelerating ESG's impact

Global CEOs see the importance of ESG initiatives on their businesses, especially when questioned about ESG's impact on improving financial performance, driving growth and meeting stakeholder expectations. And this year's survey shows a marked jump in demand from stakeholders — such as customers and investors — for increased transparency. In Singapore, CEOs are seeing the biggest stakeholder demand from regulators (33 percent), with pressure from employees and new hires on the rise this year at 28 percent as compared with zero percent last year.

Singapore CEOs increasingly agree that ESG programmes improve financial performance, sitting at 56 percent, an increase from 40 percent 1 year ago. In addition, 44 percent of Singapore CEOs believe that failing to meet stakeholders' ESG expectations could make raising finance much more costly and difficult. To meet stakeholder expectations, 88 percent of CEOs here expect to rely more on external assurance of their ESG data, far higher than the 52 percent globally and the 55 percent regionally.

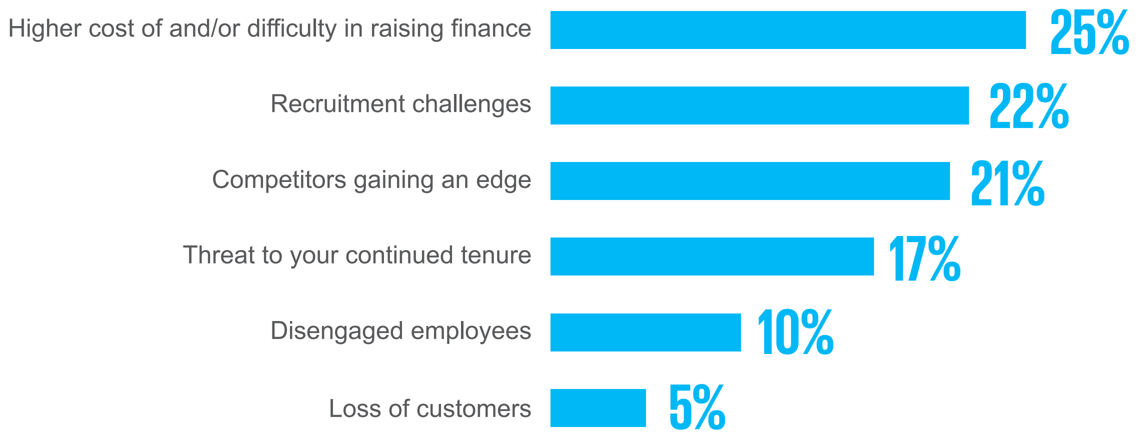
When asked where CEOs see corporate purpose having the greatest impact over the next 3 years, driving financial performance is in the top spot globally with 73 percent. CEOs increasingly understand that businesses embracing ESG are best able to secure talent, strengthen employee value proposition, attract loyal customers and raise capital. ESG has gone from a nice-to-have to integral to long-term financial success.

Globally:

- 69 percent see stakeholder demand for increased reporting and transparency on ESG issues up a significant extent (up from 58 percent in August 2021)
- 72 percent of CEOs believe stakeholder scrutiny on ESG will continue to accelerate (up from 62 percent in August 2021)
- 17 percent of CEOs indicate stakeholder skepticism around greenwashing is increasing (up from 8 percent in August 2021)

Changing regulations and other pressing global economic matters are global CEOs' biggest challenges in delivering their ESG strategies. CEOs are also increasingly aware there is a lack of an accepted global framework for measuring and disclosing ESG performance (14 percent, up from 7 percent in August 2021). While regulation concerns remain high, this may highlight how global governments and regulators need to work together to align around ESG requirements.

The downside of failing to meet ESG expectations - Global



Source: KPMG 2022 CEO Outlook

Some of the barriers Singapore CEOs face include identifying and measuring agreed metrics (28 percent) and a lack of budget to invest in ESG transformation (20 percent). Also key to achieving their net zero and climate ambitions will be in attracting the right talent and skills. Nearly a quarter (22 percent) of global CEOs say a lack of skills and expertise is hindering the implementation of solutions — similar to the 28 percent seen in Singapore and an increase from 16 percent earlier this year.

- Investments are forthcoming: Sixty-two percent of global CEOs say they will be looking to invest at least 6 percent of revenue in programmes that enable their organization to become more sustainable. This is far higher among Singapore CEOs at 84 percent. Globally, 74 percent agree that their organization's digital and ESG strategic investments are inextricably linked.
- Key drivers: Global CEOs find it difficult to pick just one key driver when it comes to accelerating their companies' ESG strategies: proactivity on social issues (34 percent), more transparency (26 percent), inclusion, diversity and equity (IDE) strategy (21 percent) and net-zero strategy (19 percent). This shows there's a growing consensus that they all matter.
- Articulating their story: The biggest challenge for CEOs in communicating their ESG performance to stakeholders is the struggle to articulate a compelling ESG story, which more than one-third (38 percent) say their organizations face (32 percent in Singapore).

> "As CEOs take steps to insulate their businesses from an upcoming recession, ESG efforts are coming under increasing financial pressure. The CEO Outlook confirms that ESG has become an intrinsic business imperative, impacting financial resilience, growth and stakeholder expectations."
>
> **Jane Lawrie**
> Global Head of Corporate Affairs
> KPMG

> **Demand for businesses to deliver real impact on environmental and social issues is on the rise, even as CEOs surveyed indicate that pressing global economic matters are pushing them to reconsider their ESG investments. Doing well has to go hand in hand with doing good. To thrive in the future of business, CEOs will need to make ESG an intrinsic business imperative and competitive differentiator.**

Ling Su Min
Head of Clients, Markets & Innovation
KPMG in Singapore

79% of Global CEOs agree achieving gender equality in their C-suite will help them meet their growth ambitions

74% of Global CEOs agree that their organization's digital and ESG strategic investments are inextricably linked

A likely economic slowdown's impact on ESG

As CEOs strive to maintain optimism and take steps to insulate their businesses from an upcoming recession, indicators point to ESG progress suffering as a result, following the trend of CEOs reassessing initiatives in many areas of the business (e.g. transformation and staffing). However, as economic uncertainty continues, more than half of CEOs in Singapore (52 percent) are pausing or reconsidering their existing or planned ESG efforts in the next six months, while 28 percent have already done so.

ESG has become an intrinsic business imperative. Delaying key ESG efforts could make businesses more reactive in the future rather than help them lead the way with greater transparency, resilience and sustainability.

Top 5 challenges in delivering ESG strategy over the next 3 years for CEOs globally and in Singapore

	Global		Singapore	
1	17%	Other pressing business/ economic matters that cause us to shift focus away from ESG	28%	Identifying and measuring agreed metrics
2	16%	Increased or frequently changing regulations	20%	Lack of budget to invest in ESG transformation
3	15%	Lack of budget to invest in ESG transformation	12%	The necessary technology to effectively measure and track your ESG initiatives
4	14%	The necessary technology to effectively measure and track your ESG initiatives	12%	A perception of falling behind competitors
5	14%	Identifying and measuring agreed metrics	8%	Other pressing business/ economic matters that cause us to shift focus away from ESG

The ESG shadow cast by the supply chain

It's critical for CEOs to understand how sustainable their entire business really is. CEOs increasingly see reporting and transparency as important to their ESG goals — and this includes insight into their broader supply chain. Our survey shows that nearly half of CEOs (47 percent) plan to diversify their supply chains in the next 6 months in response to geopolitical challenges. In Singapore, 56 percent of CEOs have already done so. What's more, the number one strategy CEOs globally are considering to mitigate supply chain issues is to monitor deeper into their supply chain (i.e. at the third and fourth levels) to better anticipate problems. Why? Because the environmental, sustainability and human-rights practices of their partners and suppliers may impact their business and reputation.

Among the many challenges, decarbonizing the supply chain is a significant challenge for companies looking to achieve net zero. Global supply chain leaders are starting to double down on investing in technology — including real-time, end-to-end analytics — to improve visibility across the entire value chain. They will likely have a more accurate understanding of how products and materials flow through the network and where issues are in the supply chain, so they can move from mere strategic intent to real tangible outcomes.

Global CEOs are also making the link to digital transformation: 74 percent say their organizations' digital and ESG strategic investments are inextricably linked. With CEOs increasingly accountable to their supply chains and reporting to broader stakeholders, their success is dependent on their digital systems. Where does the business source their raw materials? Do they know their suppliers' human-rights records? Multinational organizations need to focus more broadly on ESG — and into all the shadows cast by the organization.

Bankinter CEO Maria Dolores Dancausa believes it's the financial sector's responsibility to help facilitate positive and sustainable transformation. "We should walk hand-in-hand with companies that are transforming toward more decarbonized business models, and play a role that goes far beyond merely financing green sectors." She argues that these transitions give banks a wider range of opportunities, "from the possibility of funding projects that accelerate this dynamic toward net zero, to marketing investment products based on these types of assets".

The financial sector should walk hand-in-hand with companies that are transforming toward more decarbonized business models, and play a role that goes far beyond merely financing the greenest sectors.

María Dolores Dancausa
Chief Executive Officer
Bankinter

Diversity ramping up progress

Global businesses are seeing major focus put on the social aspect of ESG. While there's broad alignment on IDE, there is growing concern around the pace of progress. Sixty-eight percent of global CEOs believe that progress on IDE has moved too slowly in the business world (up from 52 percent in February 2022), and 73 percent believe scrutiny of IDE performance will continue to increase over the next 3 years.

Forty percent of Singapore CEOs say that taking a more proactive to societal issues will be the main driver towards accelerating their company's ESG strategy over the next three years. This is also the top driver for CEOs in the region (37 percent) and globally (34 percent).

Awareness is key, and CEOs can play a powerful role in helping lead and drive the IDE agenda in the years ahead. Moving forward, it's important to normalize IDE within companies to avoid fatigue Any plans need to be intentional and focused on what's possible within their market and business.

Diverse teams are also higher performing — but often only in environments of psychological safety. In fact, four in five Singapore executives (80 percent) have indicated that they have a responsibility as business leaders in driving greater social mobility in their organizations, which involves how you invite everyone into and structure your organization. It requires that businesses invest in their people in a new way.

For Bill McDermott, CEO of ServiceNow, ensuring that corporate purpose is both an effective and symbiotic method for business growth means making sure employees' personal values align with those of the company. "You must focus on recruiting properly to make sure there is a great match with the individual values of a person coming into your culture. Having that match also impacts diversity, equity and inclusion."

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>
> **Bill McDermott**
> Chief Executive Officer
> ServiceNow

Exploring opportunities for growth

Technology

- **Bring your people and technology together:** Organizations have invested so much in digital transformation that they need to make sure people adopt these technologies and use them to their full potential.
- **Work with partners to drive value:** With CEOs increasingly interested in partnerships, identifying, integrating and managing third parties effectively can help increase speed to market, reduce costs, mitigate risks and supplement capability gaps in delivering the customer promise.
- **Get closer to customers:** Orchestrating compelling customer experiences requires companies to begin with the customer and work backwards, taking an outside-in perspective to reverse-engineer and shape what the experience should be; then, they should adopt an inside-out view to define how the experience should be delivered.
- **View cyber security as a strategic function:** Increasingly, cyber is no longer seen as only an IT issue; it's a fundamental business operation imperative. The exponential increase in cyber attacks, coupled with the difficulty of detecting an attack in a timely manner, calls for automation and innovation in dealing with cyber incidents.

Talent

- **Experiment with ways of working:** As organizations launch return-to-office plans, it's important for CEOs to develop working structures that suit their people. It's time to experiment and see what works best. Active listening, empathetic communications and a commitment to finding the right balance over the long term will be key.
- **Tell your ESG story:** A business's ESG approach is increasingly seen as a differentiator when it comes to attracting and retaining talent. And with many CEOs saying they're struggling to tell a compelling ESG story, it's important for CEOs to articulate for stakeholders the steps they're taking to address ESG in their organizations.
- **Build, don't follow:** Organizations and their employees are changing and leaders need to reinvent the enterprise workforce. The old talent management playbooks are out of date, and the challenge is that there aren't new ones to replace them — yet. The way forward involves strategies that include reinventing the workforce, focusing on the social side of ESG, leveraging analytics and designing a nurturing experience.

ESG

- **Recognize ESG's impact on financial performance:** ESG has become integral to long-term financial success. CEOs increasingly agree that ESG programs improve financial performance, which includes being able to secure talent, strengthen employee value proposition, attract loyal customers and raise capital.
- **Invest in real-time technologies:** CEOs should monitor deeper into their supply chain (i.e. at the third and fourth levels). Global supply chain leaders are starting to double down on investing in technology — including real-time, end-to-end analytics — to identify where issues exist and improve visibility across the entire value chain.
- **Take the lead on IDE:** CEOs can play a powerful role in helping lead and drive the IDE agenda in the years ahead. It's important to normalize and create a culture of IDE across the organization to attract and retain new employees.
- **Build strong connections among functions:** Resilient organizations have well-connected internal teams, so for example, the finance function is aware of what the ESG teams are doing.

Methodology and acknowledgments

About KPMG's CEO Outlook

The 8th edition of KPMG CEO Outlook, conducted with 1,325 CEOs between 12 July and 24 August 2022, provides unique insight into the mindset, strategies and planning tactics of CEOs not only comparable to pre-pandemic to today, but also from KPMG's CEO Pulse Survey conducted with 500 CEOs between 12 January and 9 February 2022, before the Russian government's invasion of Ukraine.

All respondents have annual revenues over US$500M and a third of the companies surveyed have more than US$10B in annual revenue. The survey included leaders from 11 markets (Australia, Canada, China, France, Germany, India, Italy, Japan, Spain, UK and US) and 11 key industry sectors (asset management, automotive, banking, consumer and retail, energy, infrastructure, insurance, life sciences, manufacturing, technology and telecommunications).

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

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