KPMG 2023 CEO Outlook

Treading Positively Amidst Uncertainty

October 2023

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Treading Positively Amidst Uncertainty

"For CEOs – the opportunity to drive a return to a more equitable, successful planet is right in front of us. The key to success will be an unrelenting focus on long-term, strategic planning and commitment to avoid the danger of short-term, reactive leadership, which is always a threat during a period of deep uncertainty."

Bill **Thomas**
Global Chairman and CEO
KPMG International

This edition explores growth opportunities through complexity by reviewing the economic outlook while focusing on technology, talent, and ESG and how these key pillars will shape growth and progress over the next 3 years.

It is evident from the survey results that CEOs in Southern Africa are treading positively amidst the uncertainty that is created by global activities and crises, such as geopolitics, and the rising cost of doing business driven by inflation, high operational costs, etc. Southern Africa's CEOs are looking for measures that will ensure that they are adequately prepared for the next twelve months and beyond.

The results highlight the economic growth for South Africa which is expected to be 1% in 2024, with a slight increase forecasted for the following year, relaying that the country continues to see below-average growth which it has seen in a long period.

Technology is considered a key investment priority for CEOs across Southern Africa, with an emphasis on how these investments will foster market growth opportunities. With the sudden boom of Artificial Intelligence (AI) creeping up in every sector, 71% of Southern Africa's CEOs consider AI as a key investment priority. They see this entry as an opportunity to co-create innovative ways to complement what already exists in business, and how to improve it, taking into consideration the ethical aspect of this phenomenon.

Three years after the pandemic, the issue of talent is still a focal point for CEOs and their businesses. It is interesting that in a society that is actively advocating for hybrid and agility in workspaces, 72% of Southern Africa's CEOs believe that a return to office is imminent in the next three years. A similar view is seen on the global front.

ESG continues to remain a priority amongst CEOs due to its impact on society and business sustainability. Businesses that embrace ESG, according to these CEOs will inevitably, reap the benefits through the improved public perception of the organisation's purpose, an important aspect that complements the three pillars of sustainability that should not be overlooked in business.

Once again, it is an honour for KPMG in South Africa to partner with Business Leadership South Africa (BLSA), an independent association whose members include the leaders of some of South Africa's biggest and most well-known businesses for this 3rd edition. Leadership at the highest level continues to cautiously focus on future opportunities despite the complexity that we are seeing.

Ignatius Sehoole
CEO of KPMG in Southern Africa *

** KPMG in Southern Africa refers to the KPMG firms in Botswana, Mauritius, Mozambique, Namibia, South Africa, Zambia and Zimbabwe who are in the process of establishing a formal KPMG Southern Africa Cluster in early 2024. The KPMG firms in these countries are member firms of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee*

Potential remains strong for long-term

While CEOs remain confident in the future of the global economy, escalating uncertainty and rising global crises have forced a reset in strategic thinking, a consolidation of talent, a renewed focus on collaborative approaches, and an eye on upcoming technology.

The confluence of global emergencies – major conflicts in Myanmar, Ukraine, the Maghreb, Ethiopia, Sudan, Israel, and elsewhere; a year of anomalous global weather records as climate change takes grip; sharply rising prices, high-interest rates, and subdued economic growth; and disruptive technologies reshaping our societies – has popularised the term "polycrisis". How are CEOs meant to tackle this complex set of emerging and converging challenges? The approach identified in KPMG's research is to concentrate on "micro" decision-making and the factors under their control and to prioritise internal and external collaboration to improve resilience.

But the outlook remains grim. Growth in South Africa, Botswana, and Zimbabwe is expected to dip, though the potential remains strong for long-term growth should the global operating environment improve. Zambia, buoyed by rising copper prices, good rainfall, and local market confidence, is expected to grow its economy by more than 4% a year over the next few years.

Global operating environment aside, Southern Africa retains significant long-term potential, with a growing human capital advantage, access to abundant mineral and natural resources, and pockets of excellence in institutions and infrastructure. Emerging market economies are, however, at the mercy of world events.

As global capital remains risk-averse, smaller currencies and stock markets suffer, and the potential for foreign investment diminishes. Organic growth is being prioritised over dealmaking as CEOs focus on keeping the number of uncontrolled variables to a minimum.

In South Africa, business confidence remains stubbornly pessimistic. Our population now sits at 62 million, with 19 million citizens dependent on government grants at an annual cost of R200 billion to the fiscus. The provision of essential services remains a challenge. Poverty and unemployment remain rife, increasing the fragility of the system and its susceptibility to the effects of global crises. Job growth in the face of these risks remains an unknown factor – the demand for top talent remains strong, but the focus for many organisations is on how to maximise the productivity of existing workforces, often through digital transformation. Diversity remains a priority, but many companies are struggling to make meaningful progress at the highest levels.

Technology remains an area of significant opportunity and risk. Material risks identified by CEOs include the impact of generative AI, geopolitics and cybersecurity. The complexity of the ethical terrain which generative AI is exposing has made many CEOs take more of a wait-and-see approach than some anticipated in the throes of the initial excitement around their potential. AIs continue to fuel both sides in the cybersecurity war, and the range of sectors and processes in which they will be deployed will continue to grow. ESG remains a focal point, but many CEOs are struggling to maintain productive momentum in the face of constantly shifting regulatory standards. Staffing and skills remain critical resources to keep ahead of ESG-related law and societal expectations.

CEOs in Southern Africa, like their counterparts around the world, are largely taking a consolidating, anticipatory approach, waiting to see whether our compounding crises will continue to escalate, or whether we might begin to see an easing of global tensions and a return to stability. Geopolitical resolutions aside, the effects of climate change are anticipated to become more severe and unpredictable. Regrettably, there is still no widespread agreement on how to address this momentum, and the repercussions of this lack of consensus will continue to disproportionately affect emerging economies. The outlook is thus unlikely to turn rosy any time soon, and business leaders, alongside their civil-society and governmental counterparts, will have to continue to navigate difficult waters, and be on the lookout for opportunities not only to find pockets of growth, but to help address the challenges we collectively face.

Busisiwe Mavuso
CEO, Business Leadership SA

Economic outlook

Economic headwinds remain with generally high inflation and consequently interest rates depressing growth prospects in the Southern African region with 77% of CEOs agreeing with this assertion.

CEOs confident in their country's prospects

The region appears to be relatively confident with respect to the future prospects of the global economy (72%) but more confident in the growth prospects of their own countries (85%).

Policy uncertainty is the main risk to growth

CEOs in the Southern African region see policy uncertainty as well as regulatory risk and emerging /disruptive technologies as the top three risks to their organisation's growth over the next three years.

Disruptive Technology

Emerging technologies are becoming a key investment priority for CEOs across Southern Africa, with emphasis on how these investments will grow market growth opportunities.

Generative AI is part of everyday life

Despite the economic challenges facing Southern African countries, Generative AI (GenAI) is positioning itself as a key tool in reshaping operations and service offerings in business.

Regulation and Cybersecurity

As emerging technologies begin to become part of organisational operations, ethical considerations, and cybersecurity remain a concern. Investment needs to be strategic with a holistic view of what technology can offer to the organisation, as well as what the potential risks are and how they can best be mitigated.

Talent

There has been a debate regarding the return to office in a post-pandemic way of working. The majority of CEOs in Southern Africa believe that in-person work will return in the next 3 years.

The Great Debate: Return to the Office

Southern Africa's CEOs believe that in-person work will return in the next 3 years. Furthermore, they are willing to provide incentives for those who decide to work from the office.

Investment in Talent

CEOs across Southern Africa are in agreement that senior leadership, given the current pace of change, should focus on strategic decisions to create resilience within the business and amongst their employees to ensure long-term organisational success.

ESG

CEOs recognise that ESG remains an imperative part of ensuring medium to long-term growth as part of corporate strategy, with a focus on impact rather than compliance.

Corporate Investment

With growing investment in ESG, the majors of CEOs in Southern Africa believe it will take between 3-5 years to see a financial return. However, they are hopeful that their investments will result in improved brand reputation and customer relationships.

Key ESG Priorities

CEOs across Southern Africa agree that key investment priorities include governance models and transparency protocols as well as addressing environmental challenges and focusing on diversity, equity, and inclusion.

Barriers

The ESG space has grown in Southern Africa's CEOs. CEOs in Southern Africa believe that the public is looking for businesses to fill the void in various societal issues. Furthermore, they believe that the lack of technological solutions is preventing the achievement of a net zero climate ambition.

Economic outlook

Optimism despite economic headwinds

The Southern African region with a population of around 136 million and labour force of 55 million is expected to see a growth of between 3% and 6% over the next few years. Exceptions to this rule are Mozambique on the upside is expected to realize GDP growth higher than 6% increasing to 10% over the next 3 or 4 years. In addition, on the downside, South Africa which contributes about 76% of the region's GDP, is expected to register an estimated 0.7% growth in 2023 according to the SARB’s September MPC forecast. This is to be followed by 1% economic growth in 2024 and a marginally higher 1.1% in 2025.

Comparatively, the growth prospects for South Africa over the next three years are well below the average of 1.7% experienced over the ten years leading up to the Covid-19 pandemic and far below what is required to make an impact on economic inclusion and absorb a significant proportion of the unemployed into the labour force.

Globally the economy is characterized by high interest rates as monetary authorities attempt to combat the decades-high inflationary consequences of Russia’s war in the Ukraine. These elevated interest rates deter both private consumption expenditure, the largest contributor to GDP as well as business investment expenditure and would have contributed to the modest growth expectations.

This is generally the case for the Southern African region. In South Africa, the inflationary consequences of the pandemic and the war in Ukraine have been augmented by the broad-based governance failures that have increased the cost of doing business in South Africa.

Insufficient electricity supply due to a lack of strategic capacity planning as well as corruption and mismanagement at the national electricity generating monopolist has been a feature of the economy for the past sixteen years. Other infrastructure, including water and sanitation as well as transport comprising roads, rail, and port infrastructure have more recently been plagued by similar shortcomings. As a consequence, and where cash flow allows, businesses have had to invest in alternative solutions and other workarounds to facilitate continued operations with increased costs being solely or partially shifted onto consumers. In addition, the inadequate level and quality of basic public services including education, health, safety, and security, etc. have forced consumers and businesses to seek private sector alternatives, which have also contributed to higher increases in the general price level and resulted in interest rates remaining higher for longer.

Additionally, businesses in the region are dealing with changing regulations and the global shift towards the adoption of environmental, social, and governance standards, and are facing new and increasingly complex technologies as well as implementing climate-friendly practices.

Although challenging, these present Southern Africa with an opportunity to grow, adapt and innovate, and consequently enter investment and trade negotiations based on the potential benefits that will flow to its citizens with the prevailing related trends in its favour.

Although progress continues to be made with respect to the growth and development of the Southern African region, the centrist model of governance in South Africa has proven to be deficient. This is proven by the economy's growth rate of less than 1% and an unemployment rate of more than 40% according to the expanded definition.

A more decentralized strategy including various forms of public-private partnerships that leverage the best of both worlds would be a welcome change. Creating policy certainty through clear, consistent laws and policies that are efficiently and transparently applied, coupled with reliable and cost-competitive utility (energy and water) services and transport logistics, will attract far more interest from domestic and international investors and help to propel the economy forward.

Economic growth in select countries

Region / Country	2022	2023	2024	2028
Percentage	Actual	Estimate	Forecast	
World	**3.5**	**3**	**2.9**	**3.1**
Advanced Economies	**2.6**	**1.5**	**1.4**	**1.7**
United States	2.1	2.1	1.5	2.1
Euro area	3.3	0.7	1.2	1.3
United Kingdom	4.1	0.5	0.6	1.5
Japan	1	2	1	0.4
Emerging and developing countries	**4.1**	**4**	**4**	**3.9**
Brazil	2.9	3.1	1.5	2
Russia	-2.1	2.2	1.1	0.9
India	7.2	6.3	6.3	6.3
China	3	5	4.2	3.4
Sub-Saharan Africa	**4**	**3.3**	**4**	**4.3**
Nigeria	3.3	2.9	3.1	3.1
South Africa	1.9	0.9	1.8	1.4

Source: IMF, World Economic Outlook, October 2023

Economic Outlook

In line with global CEOs who rank political uncertainty as well as geopolitical risk as the greatest threat to the growth of their business, Southern African CEOs also see policy uncertainty as their top risk. In contrast, this risk comes in joint second place for South African CEOs along with regulatory and interest rate risks. The top threat for South African CEOs is emerging or disruptive technology risk.

Confidence in the global economy remains broadly unchanged according to the global CEO survey results with almost 3 in 4 CEOs (73%) being confident in its prospects over the next three years. Southern African CEOs agree with global sentiment with 72% of local CEOs being confident in global economic prospects.

While global and Southern African CEOs' confidence in the growth prospects of their own companies over the next three years hit a three-year low at 77% and 76% respectively, Southern African CEOs are far more positive with 85% of respondents indicating confidence in their company's growth prospects.

In addition, 96% of South African CEOs see their earning increasing over the next three years with 20% of CEOs forecasting earnings growth of between 0% and 2.5%, 63% of South African CEOs forecasting earnings growth of between 2.5% and 5%, and 3% of CEOs forecasting headcount growth of between 10% and 25%.

73%

CEOs confident in the global economy remaining broadly unchanged over the next three years

96%

South African CEOs see their earning increasing over the next three years

Similarly, 96% of South African CEOs forecast a growing headcount over the next three years, with 60% of CEOs forecasting headcount growth of between 0% and 5%, 33% of South African CEOs forecasting headcount growth of between 5% and 10%, and a further 13% of CEOs forecasting earnings growth between 5% and 10%.

All Southern African CEOs surveyed stated that they had either already adapted their growth strategies or were planning to adapt their strategies as a result of the interrelated challenges (e.g. potential recession, climate change, AI, etc) over the course of the next three years.

> *"While economic challenges continue with high inflation and interest rates lowering growth prospects, the region is positive about the growth prospects of their individual countries."*

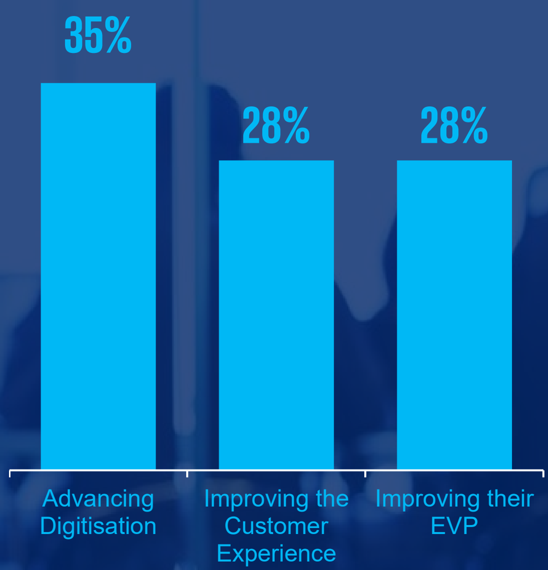
Frank Blackmore
Lead Economist
KPMG in South Africa

CEOs are placing an increased emphasis on organic growth opportunities in lieu of deal-making opportunities, as global uncertainty continues. The top three operational priorities for Southern Africa's CEOs in order to achieve their growth objectives over the next 3 years include advancing digitization and connectivity of all functional areas (35%), the improvement of customer experience (28%), and improving their employee value proposition in order to attract and retain the necessary talent (28%).

Globally, CEOs are signalling that they are worried that economic uncertainty could pose further challenges with 77% of them saying that rising interest rates and tightening monetary policy could prolong any potential or current recessions. This figure for Southern Africa's CEOs was recorded at 83% currently. In addition, 33% of global CEOs see the current market instability as the leading reason for holding back from prioritizing inorganic growth. In Southern Africa, CEOs see a non-competitive landscape and the risk of internal transformation as the primary reasons with lack of leadership bandwidth and market instability joint third for holding back on inorganic growth.

CEOs are placing an increased emphasis on organic growth opportunities in lieu of deal-making opportunities, as global uncertainty continues.

The top operational priorities for Southern Africa's CEOs to achieve their growth objectives over the next 3 years:



Source: KPMG 2023 CEO Outlook

Disruptive Technology

Generative AI part of everyday life

There is an emergence of artificial intelligence (AI) models that are able to produce open-ended, creative content. These generative artificial intelligence (GenAI) language models represent a disruptive technology that is reshaping the creation of content and performance of human tasks and activities. Despite the economic challenges in Southern Africa such as inflation, 71% of Southern Africa's CEOs are making GenAI a top investment priority for their organisations. Its prominence has positioned and geared it as among one of the top priorities to get right as a cutting-edge investment by CEOs. This finding is in line with the 2023 KPMG Global CEO Outlook report, with 70% of global CEOs noting their interest in the investment of such emerging technology.

Noting that GenAI is a growing key top investment for companies globally, 28% of Southern Africa's CEOs believe that a key benefit of implementing this technology is the market growth opportunity that it offers. 22% see GenAI as a tool to increase efficiencies and productivity within their organisation through automated processes and operations.

71%

of Southern Africa's CEOs believe that GenAI is a top investment priority

28%

of Southern Africa's CEOs believe can offer new market growth opportunities

Source: KPMG 2023 CEO Outlook

However, despite the willingness to adopt GenAI into the workplace, there are notable challenges and concerns that CEOs have expressed. According to the survey, 33% of Southern Africa's CEOs believe that the main challenge they will face is securing the requisite technical capability and skills required for their employees to make the best out of GenAI in their everyday work. Furthermore, 55% of Southern Africa's CEOs worry that by implementing AI, some jobs and related tasks may become redundant in their organisation.

> ***"Artificial Intelligence models have the potential to transform businesses and everyday life in a profound way. Yet their applications, including the benefits and risks, are widely misunderstood."***

As an increasingly important investment priority, GenAI technology will likely form part of organisational activities and the services they offer in the near future - noting that KPMG has already begun its collaboration with Microsoft to make this a reality for our firm.

Business leaders should be considering how they strategically invest in these emerging technologies to amplify their organisations capabilities.

To operate in tomorrow's market, leaders will need to consider how they can capitalise on AI frameworks and emerging technology.

Investment needs to be strategic with a holistic view of what technology can offer to the organisation, as well as what the potential risks are and how they can best be mitigated.

> ***Cybersecurity is rated as the top risk globally that will impact public trust in the use this technology. We need to embrace this technology in a safe and secure way.***

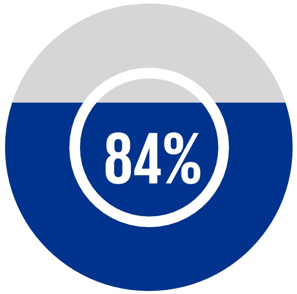
Sipho Ndaba
Partner, Tech Assurance
KPMG in South Africa

Regulation and Cybersecurity in Generative AI

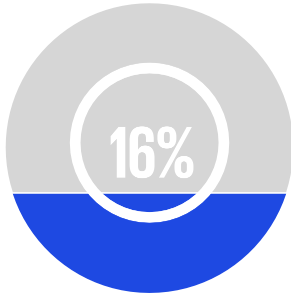
GenAI has been noted as a key investment priority, however, the ethics of emerging technology remains an ongoing discussion within the business. In this regard, 80% of Southern Africa's CEOs agree that a lack of current regulation for GenAI may become a barrier to the success of their organisation. Considering how GenAI should be regulated should be a critical topic of conversation for business going forward.

Cybersecurity risk is an additional concern, which may impact trust in implementing GenAI efforts and adoption within business. In fact, 84% of Southern Africa's CEOs agree that GenAI could be viewed as a double-edged sword - providing a high level of security and cyber attack detection, and potentially introducing an increased risk of new attack methods. **16% of CEOs across Southern Africa do not believe that their organisation is well-prepared in the event of a future cyber attack**. Southern Africa's CEOs in countries such as Zimbabwe, Mauritius, and South Africa highlight that under-preparedness may be a result of low investment into cyber defences or cybersecurity not being regarded as a business priority.

With the growing adoption of AI frameworks, there is a responsibility placed on organisations to carefully consider the ethical implications and potential risks inherent in this investment. Investment needs to be strategic with a holistic view of what technology can offer to the organisation, as well as what the potential risks are and how they can best be mitigated.



of Southern African CEOs believe that although GenAI can enhance cybersecurity, it may also pose additional cyber risks



of Southern African CEOs do not believe that their organisation is well prepared to deal with a future cyber-attack

Source: KPMG 2023 CEO Outlook

Talent

In the post-pandemic era, the majority of Southern Africa's CEOs believe that employees will be back in the office full-time over the next 3 years. Noting that the majority of Southern Africa's CEOs are willing to provide incentives for those to work in the office.

The Great Debate: Return to the Office

In the emerging post-pandemic era, we are seeing most aspects of life have returned to normal. It has been over three years since the start of the pandemic, remote work was the most viable option at the time. But this is slowly changing. 72% of Southern African CEOs support that in three years the working environment will return to pre-pandemic ways of working, while the remaining few still believe in hybrid or remote ways of working. The majority of Southern African CEOs would like their employees to return to in-person work in the next few years.

This finding is in line with Global CEOs, with the majority (64%), anticipating that there will be a **full return to the office in the next three years**. However, this view is met with some debate as hybrid remote working is favoured amongst the majority of workers, particularly the younger generation of workers.

The younger workforce values the autonomy and flexibility that is usually offered by remote work. In this regard, 87% of Southern African CEOs are willing to incentivise and provide employees who come into the office with favourable assignments, raises, or promotions. Although this is the sentiment across Southern Africa, it is crucial that leaders remain supportive in their approach that considers the needs of employees whilst embracing employee value proposition.

72%

of CEOs believe that in three years the working environment will return to pre-pandemic ways of working

87%

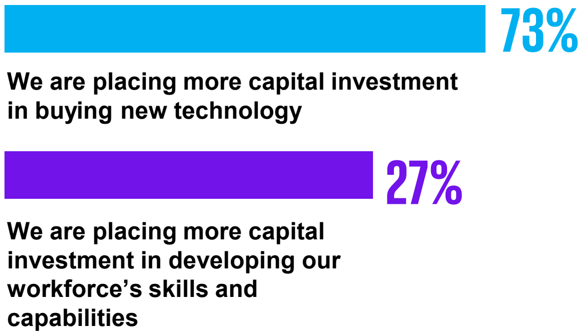
of Southern Africa CEOs are willing to incentivise and provide employees who come into the office with favourable assignments, raises, or promotions

Source: KPMG 2023 CEO Outlook

1 The growth and transformation objectives continue to evolve for CEOs:

Thinking about your growth and transformation objectives, which of the following investments are you prioritising?

As technology advances through the rise of GenAI, 73% of CEOs in Southern Africa have expressed that they will be prioritising the placement of their capital investment into acquiring new technology rather than the upskilling of their workforce. Although the skills of the workforce are not overlooked, specific emphasis in the Southern African context is being placed on growing the technological capability of the business as a transformation objective.



Source: KPMG 2023 CEO Outlook

> *When we talk about the workforce of the future, we must recognise that the future is already here, change is taking place at such a rapid pace. AI, robotics, digitisation is having an impact on how we work, it is important that organisations plan how they respond to this.*

Makgotso Letsitsi
Head of People, Transformation and Citizenship
KPMG in South Africa

2 As the talent landscape continues to evolve, there is a Leadership and Management style shift:

Given the strategic long-term view placed on talent as an important driver of growth and performance, 73% of CEOs agree that how they view and consider succession planning has changed. To survive the rapidly changing environment, 53% of CEOs agree that a collaborative leadership style is required. In fact, the majority of CEOs across Southern Africa agree that it will be through shared management and operational responsibilities that greater success will be enabled during this politically, socially, and economically unpredictable time. The employee landscape continues to evolve; continually revisiting what is critical to employees is key.

CEOs across Southern Africa are in agreement that senior leadership, given the current pace of change, should be focusing on strategic decisions to create resilience within the business and amongst their employees to ensure long-term organisational success.

ESG

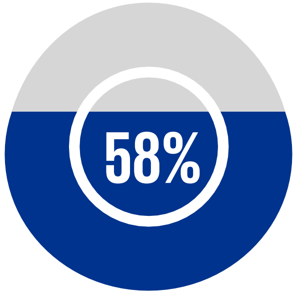
Corporate Investment and Delivering Impact

At a global level, there is increased recognition amongst CEOs of the imperative role that Environmental, Social, and Governance (ESG) plays in corporate strategy. CEOs are taking a more outcomes-based approach focusing on impact to ensure ESG is embedded into business operations and corporate strategies to create value. According to the CEO Outlook Survey distributed to Southern Africa's CEOs, 33% see their ESG strategy as having the greatest impact on their brand reputation. Several CEOs say that it will also assist in building and strengthening customer relationships (22%) and their employee value proposition (20%).

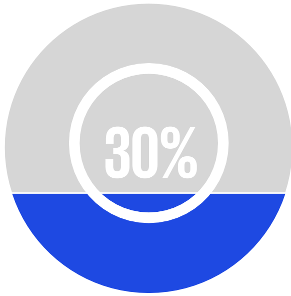
Impact on brand, customers, and employees remains the focus of ESG strategy with a shared understanding that shareholder return is not where the greatest impact will be felt. In fact, 58% of Southern Africa's CEOs say it will take 3 to 5 years to see a significant return on investment. Some Southern African countries believe that it could take between 5 and 7 years. This finding agrees with that of global CEOs, as they believe that it is still going to be a few years before they see a return on their ESG investments.

Southern African CEO's believe their ESG strategy will have the greatest impact on:

Source: KPMG 2023 CEO Outlook



of Southern African CEOs say it will take **three to five years** to see a significant return on investment



of Southern African CEOs say it will take as long as **five to seven years** to see a significant return on investment

Key ESG Priorities

Within the ESG space, businesses have a variety of priorities that they wish to tackle in the upcoming years as part of their corporate strategy. The majority (47%) of CEOs across Southern Africa believe that it will be possible to address the different priorities simultaneously. CEOs in Southern African countries such as South Africa (40%) and Mauritius (57%) do not believe that addressing all priorities at once is a realistic venture. This suggests that in some organisations across Southern Africa, CEOs are more focused on targeting specific ESG goals that are most relevant to their organisation. To support companies in managing the current ESG landscape and which priority areas to focus on - KPMG Global has developed the KPMG Assurance Maturity Index.

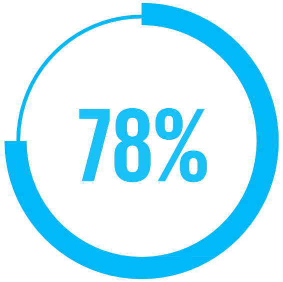
Two specific investment priorities that Southern African CEOs are focusing on include governance models and transparency protocols (40%), as well as addressing environmental challenges (35%). It is also worth noting that 100% of CEOs in Southern Africa invest in one or more local or global programmes which are aligned with the core values of their organisation. Aside from investment, another key priority that requires attention is **Diversity, Equity and Inclusion (DEI).**

Diversity, Equity, and Inclusion

DEI remains a top priority in organisations both globally and within Southern African organisations. Interestingly, 38% of CEOs in these countries believe that progress within the space of DEI has moved too slowly in the business world.

Given that 80% of CEOs in the same region agree that scrutiny of the diversity performance of organisations will intensify over the next three years, additional attention is warranted toward DEI goals for companies wishing to meet.

Southern Africa's CEOs (75%) are in agreement that business leaders within organisations have the responsibility to drive greater social mobility. In fact, 78% of CEOs acknowledge that diversity in the workplace requires implementing change across leadership at the most senior level. A further consideration is that for business growth ambitions to be met, 83% of Southern Africa's CEOs believe that achieving gender equality in the C-Suite will be a critical determining factor.



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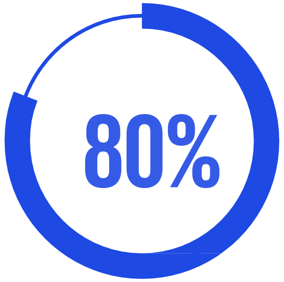


of Southern African CEOs believe that scrutiny of the diversity performance of organisations will intensify over the next three years

> ***"The best performing companies have realised that ESG is no longer just about compliance. ESG done right is about value creation. Our most ESG-mature clients have embraced ESG strategies that create shareholder value, whilst also creating broader stakeholder value."***

Pieter Scholtz
Partner of KPMG South Africa,
and the KPMG Lead for ESG in Africa

Barriers to ESG

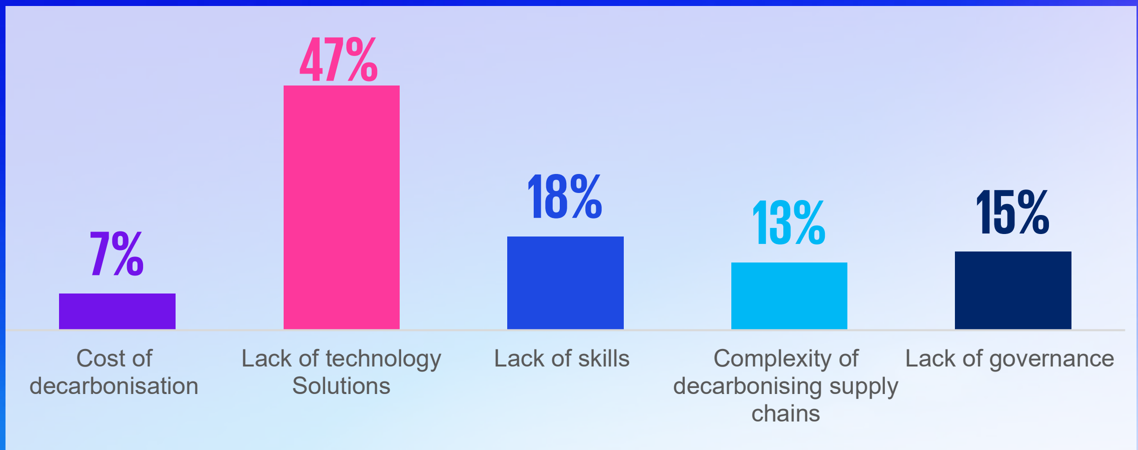
Trust in the ESG space has grown exponentially in the past few years. 40% of Southern Africa's CEOs believe that the public is looking to businesses to fill the void on certain societal issues such as inclusion, diversity, equity, climate change, or social justice. Furthermore, 48% of Southern Africa's CEOs have already embedded ESG into business as a means of value creation. This finding is lower in comparison to 69% of the Global CEOs who have fully embedded ESG into their businesses. Thus, Southern African countries may be perceived to be lagging behind in fully embedding ESG initiatives into their businesses. 53% of Southern Africa's CEOs are willing to take a stand on political or social issues, even if the Board is concerned about the risks of taking a public stance. This is important since 40% of Southern Africa's CEOs say that the public is looking at businesses to address the void in many issues associated with ESG.

Furthermore, 78% of Southern African CEOs are willing to take a public stance on behalf of their organisation on issues that may conflict with their personal beliefs that are held publicly.

There are certain barriers to achieving a net zero climate goal for global corporations, these barriers include; lack of appropriate technological skills, cost of decarbonisation, lack of skills to implement solutions, the complexity of decarbonising supply chains, and lack of internal governance/ controls to operationalise it. For Southern Africa's CEOs there are two prominent areas that they believe will prevent them from achieving a net zero climate. Firstly, 47% of Southern Africa's CEOs believe that a lack of appropriate technology solutions will be the greatest barrier to achieving net zero or similar climate ambitions. Secondly, 18% of Southern Africa's CEOs believe that a lack of skills is another barrier that will prevent them from achieving net zero climate ambitions.

The below graph shows additional barriers highlighted by CEOs.

Barriers that Southern African CEO's believe are preventing them from achieving net zero climate ambition:



Source: KPMG 2023 CEO Outlook

Conclusion

CEO confidence in growth prospects for the global economy

Confidence in the global economy remains broadly unchanged, and specifically, South Africa's economy's growth rate is less than 1%. CEOs are placing an increased emphasis on organic growth prospects in lieu of deal-making opportunities, as a response to global uncertainty continues.

Exploring growth opportunities through complexity

Disruptive Technology

Despite the economic challenges in Southern Africa, GenAI is increasingly becoming a top investment priority CEOs are making for their organisations. In order to fully operate in tomorrow's market, leaders will need to consider how they can capitalise on the AI frameworks and emerging technology. However, this new capability brings new potential cybersecurity-related risks and warrants businesses staying at the top of cyber-attack and mitigation strategies.

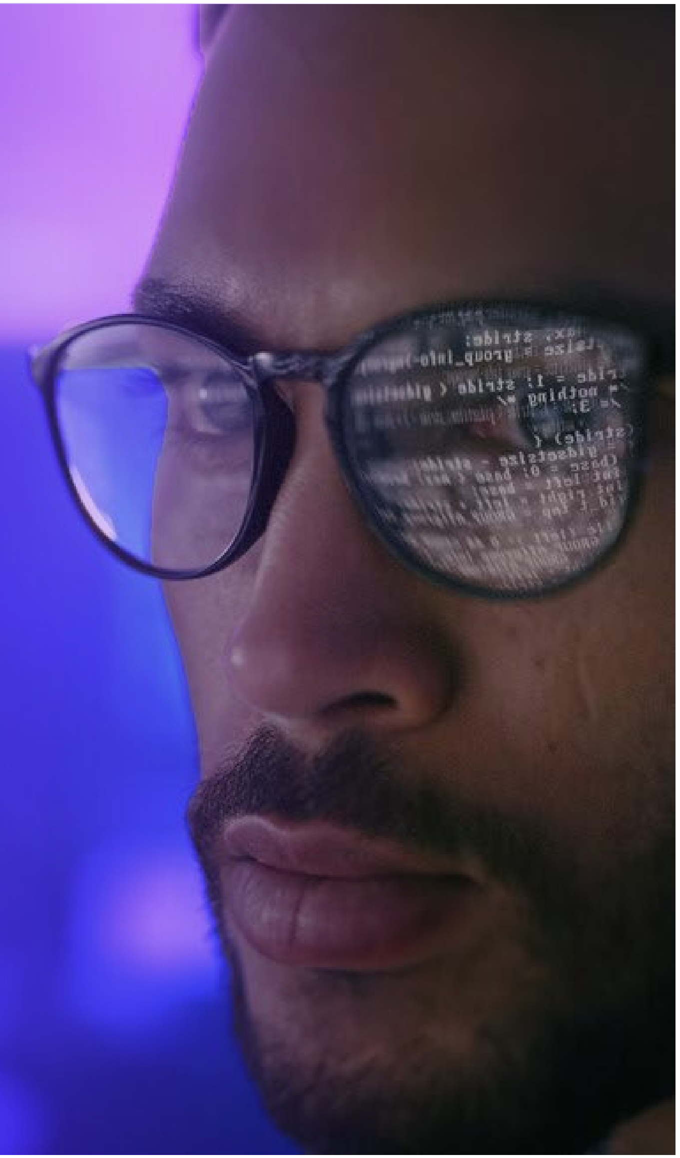
Talent

The post-pandemic era has proven that what matters to employees and the workforce as a whole, continues to evolve; CEOs are challenged to take a more inclusive approach and view when it comes to remote, return-to-office, or hybrid working arrangements. Furthermore, with talent being viewed as an important driver of growth and performance, leaders are encouraged to support and nurture their workforce through shared management and operational responsibilities.

ESG

ESG as a discourse and key business focus area is receiving increased recognition amongst stakeholders internal and external to businesses. CEOs are acknowledging the imperative role ESG has to play in their corporate and growth strategies. As a response to the impact, it bears on their brand reputation and customer relationship. Along with ESG as a growing business focus area, another priority noted by CEOs is DEI. CEOs are faced with implementing outcomes-based DEI programs and initiatives in response to quickly get traction.

At the back of the future of the global economy, CEO views on what risk factors are facing their businesses have tremendously shifted. The rise of GenAI, how talent management is viewed and high expectations in addressing ESG and DEI have become topical business focus areas.



Methodology

About the KPMG CEO Outlook Survey

The 3rd edition of the KPMG CEO Outlook: Southern Africa edition in partnership with Business Leadership South Africa (BLSA) amplifies the voice of business and was conducted with 60 CEOs across various sectors in August and September 2023. With the majority of respondents from South Africa, the results include insights from CEOs in six other countries in the Southern Africa region, namely: Botswana, Mauritius, Mozambique, Namibia, Zambia, and Zimbabwe on the economic outlook, technology, talent, and ESG over the past 12 months and more.

The methodology ensures proper benchmarking and comparison of key focus areas for these captains of industry, risks to growth, and how they remain resilient and confident over the next three-year period.

The 9th edition of the KPMG CEO Outlook, conducted with 1,325 CEOs between 15 August and 15 September 2023, provides unique insight into the mindset, strategies, and planning tactics of CEOs.

In a period of deep economic and geopolitical uncertainty, globally, CEOs are tackling this demanding and rapidly evolving environment with a purpose-led and proactive approach as they face a web of challenges to deliver growth.

All respondents have annual revenues over US$500M and one-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 % due to rounding.

Acknowledgements

KPMG would like to thank the following for their contributions:

Busisiwe Mavuso
CEO of Business Leadership South Africa

Collins Makhado
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KPMG in South Africa

Frank Blackmore
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