



Kundu

February 2022



Foreword



We kick off the first Kundu for 2022 by providing feedback after attending the Prime Minister's Back to Business Breakfast this week. Also, you may find the top 10 global tech trends for 2022 quite interesting and see how this could impact your business or provide opportunities. Please note the update on PNG's COVID-19 travel updates, as well as the continued status of visas to citizens of India, Pakistan and Bangladesh. Enjoy this issue!

KPMG in PNG has dedicated in-house specialists in all the following areas: internal audit/risk, visa migration, corporate finance, management consulting, IT advisory, fraud investigation as well as tax and assurance. As such we are well placed to provide a truly multi-disciplined approach to business advisory.

Please enjoy this month's Kundu and reach out to us at kmcentee@kpmg.com.au if you would like to see KPMG cover specific topics in future editions.

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Prime Minister's back to business breakfast by Karen McEntee, Partner, Tax, Transactions & Accounting

Prime Minister Marape's Back to Business Breakfast took place on 2 February 2022 to a large room of PNG business people including the former Australian politician Julie Bishop. The Prime Minister's opening remarks focused on the importance of a robust democracy, such as that of PNG, in forming a strong foundation for a robust economy. He also pointed out that PNG's economy has increased from PGK300m in 1975 to c. PGK100bn now with the economy doubling in the years PNG LNG came online.

The Prime Minister mentioned he will be meeting Total in France in February after his trip to the Chinese Winter Olympics. The Final Investment Decision (FID) for Papua LNG is expected in 2023/24 and the Prime Minister mentioned that Exxon's P'nyang, Wafi Golpu and Porgera would be on the horizon for the next five years.

Investors including superannuation funds are encouraged to look into other areas such as services, nature resources, sustainable renewable resources and forestry. In terms of the long-term outlook PNG has a 13-year plan which envisages PNG coming back to a surplus by 2027 and eliminating government debt by 2034.

In terms of the overall message the Prime Minister emphasised that PNG is open for business, open for diversification and will want to live with Covid 19 moving forward.

The top 10 tech trends of 2022

In an increasingly connected world, technology has the potential to revolutionize and reinvent how we do business. As we look forward and prepare for a post-pandemic future, we're optimistic the latest tech trends can help address some of our most pressing business challenges — and build a more equitable, resilient society.

Based on our industry insights and conversation with clients and colleagues, here are the top 10 tech trends we believe have the power to shape the year ahead:

#1 Hyperscalers: Winners of cloud concentration to dominate software and IT services market

Hyperscale cloud providers offer cloud infrastructure, cloud platforms and Software as a Service (SaaS) combined with in-house business solutions to enable holistic cloud-based IT strategies and cloud-native solutions. The hyperscale cloud service market is dominated by few large providers, and while we recognize some challengers, as well as regional actors and niche players, 2022 is set to see more concentration of the market. This is driven by hyperscalers' shortened cycles of innovation — coming down from years to months or even weeks — and their impressive research & development spending. With these investments, they're vertically entering many other IT markets that are not cloud originated but require or benefit from cloud strategies, making them an integral part of every enterprise digital transformation. Going forward, we expect that those owning the cloud infrastructure and platforms may also own the client's data strategy and most of the future IT application ecosystem. They'll likely provide low barrier enterprise software services, base services for leading industry trends like environmental, social and governance (ESG), and may ultimately dominate the mega IT trends like artificial intelligence (AI) and quantum computing — either themselves or through their partner ecosystems.

#2 Industry clouds: Tailored platforms become the next big evolution

Industry clouds are cloud and data platforms customized to the needs of individual industries. They're the next evolutionary step for hyperscalers, moving from a generic technology operation to a more tailored platform which offers all aspects of macro- and micro-applications as well as data management in one hand. Industry clouds go beyond Platform as a Service (PaaS) or SaaS and vertically integrate industry business solutions, enterprise resource planning, customer relationship management, workflows and related services. Industry clouds will likely boost the cloud-everywhere modernization trend with standardization and pre-configuration, allowing industries to digitally transform at scale. This can help your organization to be more agile and reduce complexity with seamlessly coordinated cloud environments. It can also positively impact the speed and cost of IT modernizations, with innovation, upgrading and maintenance coming automatically into the platforms. With these models, hyperscalers give their system integration and independent software vendor partner ecosystem broad reach to create de facto industry standards.

#3 Quantum computing: Near-term applications promise to optimize complex processes

While quantum computers are at least a decade away from being widely used, we're now seeing technologies emerge in the market that leverage quantum principles — and have the potential to make a significant difference for compute power heavy industries. One such application is in helping with optimization problems, which are often difficult to solve using traditional methods. Current optimization algorithms are being reimagined — and accelerated — using quantum mechanics principles. Financial services, biotech and pharmaceutical sectors could particularly benefit from quantum computing because they require highly scalable compute power. Recently, KPMG has launched a quantum technology hub focused on researching applications in three main areas: ultra-precise measurements using quantum sensors, computational speed-up on quantum computers and improvements in cybersecurity using quantum cryptography.

#4 Metaverse: Business models pivot from physical to virtual real estate

Forward-looking businesses are already creating spaces in the *metaverse* — virtual worlds where users come together via avatars to interact with each other and their surroundings. Some even enable its citizens to own virtual assets on the blockchain and trade these publicly as non-fungible tokens (NFTs). Even as the technology for the metaverse is being built, businesses are gearing up for a radical transformation. But

given the concept of the metaverse has only recently gained traction in the mainstream, leaders often don't know how to engage with it. While many consider it all hype from science fiction, it's important not to dismiss it.

The first step is education. We're starting to see how more organizations are trying to wrap their head around what's being done and then look for opportunities to experiment in today's metaverses. This can include exploring NFTs, leveraging virtual real estate or buying a virtual reality headset to immerse yourself in these worlds. If your organization doesn't experiment, you may find yourself behind the ball.

#5 AI: Effective governance and tooling drive adoption at scale

The potential benefits of using AI at scale are undeniable — but so are its challenges. Certain algorithms can reinforce biases and infringe on privacy, and technologies like facial recognition can be discriminatory. A key challenge is embedding trust and transparency into the equation so that we can unlock AI in ways we haven't done before. Consequentially, there are few mandates or regulations in this space. As well, the cost and effort to provide sufficient assurance for AI applications can be prohibitive, and the fear of public scrutiny and ethical implications has held organizations back from using AI at scale — until now. Moving into 2022, more reliable mechanisms are emerging that can help your organization validate, test and create transparency, and allow you to use AI more confidently. These approaches, often referred to as AIOps, help address the lack of effective governance and tooling to help drive bias and integrity detection, as well as overall fairness, explain ability and resilience throughout the AI lifecycle. Having a model for trusted and ethical AI is fundamental. If your organization gets this right, it can increase AI adoption, scale, speed and outcomes to truly transform every aspect of our lives.

#6 Cybersecurity: Threat actors playing in the gaps and software assurance are top challenges

COVID-19 has caused organizations to push out technology as fast as possible, but cybersecurity threats are evolving at an even faster pace. Organizations can't take shortcuts or just "set it and forget it." Gone are the days of lone, unsophisticated hobby hackers in a hoodie; businesses and government are now facing organized "industrialists" that offer "hacking as a service," delivered with dedicated teams, rate cards and support hotlines. It's imperative to manage blind spots as cyber criminals are playing in the gaps — and getting creative. Evasion techniques — dodging detection and working around security protocols — are becoming the top approaches, with threat actors investing time and upskilling to understand security tooling better than we do. Another emerging issue is software assurance, where hackers infiltrate third-party software providers and use trusted connections to place malware undetected directly into your environment. Of course, these threat actors are not constrained by privacy and data sovereignty requirements. We're not abiding by the same rules, and it's like playing a game with three players down. Organizations need to get comfortable with cyber risks just like they're discussing market risks and develop actionable strategies. This can include a "trust but verify" approach to the security tools your organization is using, and the consideration of new business services that provide software assurance and monitor your technology landscape in real time.

#7 ESG: Data becomes critical to modeling scenarios and tracking progress

Today's business efforts around ESG aren't purely regulatory driven. It's the end customer who's demanding more ESG insights about organizations' products and services. Meeting these expectations helps businesses tap into new markets and avoid eroding their existing market share. On the flip side, it requires organizations to evaluate and assess their entire supply chain. Identifying ESG relevant data and bringing structure to its collection, cleansing and curation is critical to evaluating your organization's status quo, modelling future scenarios and tracking progress against your ESG strategy. Breaking down data silos within your own organization can already be challenging, but the trickiest bit is the supply chain data that's outside of your business. Small and mid-sized companies often don't have the required resources and look to PaaS as a solution. That's why we'll see enterprise resource planning vendors starting to update their offering to address ESG requirements, and tech vendors adding ESG-related capabilities to their existing software.

#8 Low-code/no-code: Cultural change needs to follow technological advancements

Over the past year or so, low-code/no-code platforms have become well established. They allow users to easily prototype, iterate and customize applications with little to no experience, making software development happen faster and at a fraction of the cost. They can also serve as an accelerator for large-scale digital transformation projects. These days, many apps are developed by what we call the "iGeneration" — a tech-native cohort of professionals that is well versed in basic programming skills and has an appetite to innovate and create digital tools outside their domain expertise. Now that this technology is widely available and its benefits have been established, organizations need to make the necessary

cultural shift. But this move from a top-down to a bottom-up approach is easier said than done. The democratization of technology changes the dynamics of your organization. Established hierarchies are altered as the balance shifts toward greater agility and cross-functional collaboration. Business and IT functions need to come closer together. While the C-suite needs to get comfortable translating business demands into digital requirements, technology leaders need to demonstrate that their agenda delivers tangible business outcomes. To benefit from the potential of low-code/no-code technology, organizational and cultural change now needs to follow suit with technological advancements.

#9 Hybrid working: Choice in the digital workplace drives productivity and well-being

Employee expectations have changed. Before the pandemic, people followed technology. Nowadays, technology follows people — to *where*, and *when*, they want to work. Hybrid working means different things to different people. It doesn't necessarily mean working in the office and at home in equal measure; it means there's flexibility in the balance employees choose for themselves. As the standard evolves from remote enabled to work from anywhere, organizations should be more flexible to deliver on employee expectations around these three areas: connectivity, talent mobility and well-being. And if businesses don't meet expectations, employees may simply log off and take their expertise elsewhere. Prioritizing mobility also helps organizations find diverse, previously untapped talent with expanded accessibility and accommodations. The bottom line is, to help employees feel the most fulfilled and productive, give them the choice to work remotely, at the office or both, and deliver on their evolving expectations.

#10 Talent: Attracting hot skills demands clear career paths

The demand for tech talent is outpacing the supply available. This makes attracting and retaining digital experts of paramount importance. Businesses need to think beyond compensation as the only driving factor. Those that possess hot skills are now motivated by an organization's culture (such as people, flexible working, diversity & inclusion and equity), ESG strategy, investments in innovation and new digital technologies, training opportunities and mobility — all reflecting expectations for a modern digital workplace. So how can your organization leverage innovative recruitment and retention actions? One major gap that we often see is a clear technology career path that matches career tracks for corporate functions such as sales or executive leadership. Providing growth opportunities, upskilling existing talent and acquiring young talent can help your organization foster outside-the-box thinking and build loyalty that's resilient to challenges in the marketplace.

Status of visas for citizens of India, Pakistan and Bangladesh

There were indications in recent weeks that the ban on the issue of visas to citizens of India, Pakistan and Bangladesh had being lifted by the PNG Immigration and Citizenship Authority (ICA). The temporary ban was introduced last year due to the Covid situation in the Indian sub-continent. Despite the release of a circular indicating the ban would be lifted, it appears the necessary internal approvals were not obtained within ICA and the temporary ban is still in place pending those approvals coming through.

PNG's Covid and travel restrictions

International travellers who have received approval to enter PNG in accordance with Measure 2 International Travel Measure, can, from 28 January 2022, enter PNG multiple times within a 60-day period. Subsequent entries while still using the original 60-day approval must satisfy all other entry requirements within the Measure 2.

Also, in new directions, any person over the age of 18 must be vaccinated with one of the PNG approved vaccines before they will be permitted to board an aircraft for PNG.

Our social media presence

As usual, you may access our regular multi-disciplined thought leadership pieces, newsletters and updates on our KPMG PNG LinkedIn page. Also connect via our webpage www.kpmg.com.pg and Facebook <https://www.facebook.com/pngkpmg/>

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