



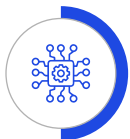
# Generative AI and finance: Building a digital strategy for today's chemicals and materials companies



For CFOs in today's chemicals and materials industry, the traditional playbooks are becoming increasingly out of date. Reduced demand, rising costs, increased volatility in markets, and a host of other challenges are driving a variety of disruptions, transformations, and rapid changes in areas such as the following:



**Supply chain globalization:** The highly globalized nature of this industry and its dependency on GDP increases exposure to geopolitical risk. Companies need to develop agile and resilient supply chains while closely monitoring global events to mitigate risks. They also need to ensure that their global supply chains are properly aligned with long-term transfer pricing and tax planning strategies.



**Digitization:** New digital technologies will need to be adopted to enhance operations, improve customer experiences, boost efficiency, and support R&D. The strategic use and customization of automated toolsets can support differentiated business units, such as commodity versus specialty chemicals.



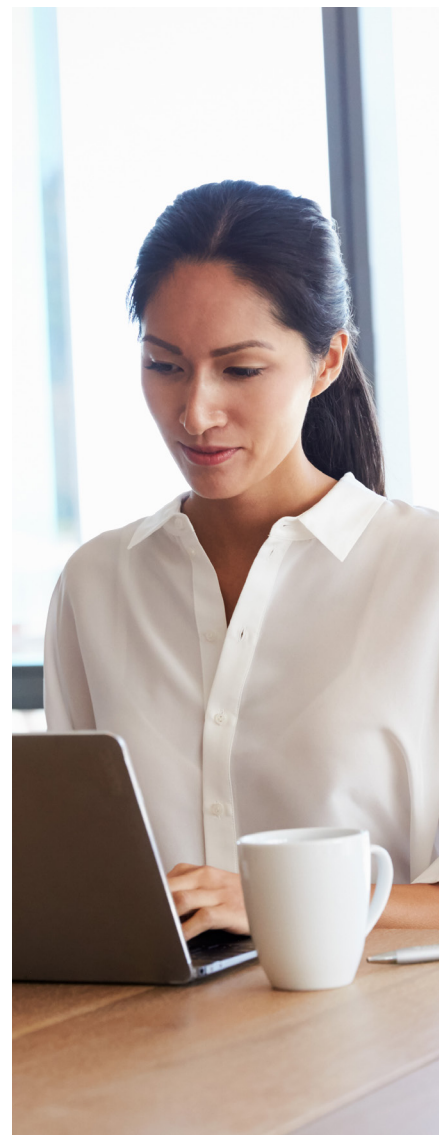
**Portfolio management:** Chemicals and materials companies are rationalizing their portfolios to improve their profitability, eliminate underperforming assets, and maintain operational efficiencies.



**ESG and sustainability:** The chemicals and materials industry is under increasing pressure from customers, governments, and industry stakeholders to transition to sustainable practices. This requires manufacturing processes that involve initiatives such as product circularity, net-zero targets, and more efficient water management systems.



**Regulations and compliance:** Chemicals and materials companies are seeing a significant increase in regulatory constraints globally, including environmental, health, and safety rules involving chemical production, handling, transport, and usage. Noncompliance involves the risk of costly penalties, legal disputes, and reputational damage.



# How finance can leverage generative AI

To address global challenges in the chemicals and materials industry, CFOs need a well-developed digital strategy. In a growing number of leading companies, this strategy includes the use of generative AI solutions designed to optimize the speed, quality, reach, and scope of financial services. Generative AI solutions can help the finance function to:

**01 Support M&A transactions:** Generative AI solutions can help gather and analyze massive amounts of information to help companies analyze markets and find attractive targets for acquisition in alignment with their business goals. It can also help in the due diligence process for both buyers and sellers, synthesizing information across multiple functions.

**02 Develop forecasts and budgets:** In a 2023 KPMG survey of 200 US executives, 83 percent said that they were already exploring generative AI for use in financial forecasting and budgeting.<sup>1</sup> In demand planning, for example, generative AI can aggregate data from a wide range of sources, accelerating decision-making based on accurate, timely information.

**03 Gather and analyze market intelligence:** Generative AI's large language model can leverage public data to create scenarios, sharpen market insights, generate competitive intelligence, and fine-tune customer profiles using customizable analyses.

**04 Support reporting standards:** Generative AI can be used to detect risks around, and ensure compliance with, regulations such as the EU's Registration, Evaluation, Authorization and Restriction of Chemicals standard and the United Nation's Globally Harmonized System of Classification and Labelling of Chemicals.

**05 Generate financial commentaries and presentations:** Automation with generative AI can help reduce the time and effort required for generating recurring financial reports and importing data into templates.

**06 Manage contracts:** Generative AI is particularly good at discovering and summarizing complex information, so solutions can help generate contracts, focusing on nonstandard terms, identifying revenue-related clauses, and documenting accounting treatments. Users can query a generative AI tool to extract key information from contracts, including crucial terms, duration, compliance issues, and other critical factors.

**07 Detect anomalies or fraud:** Generative AI can help detect errors, spot fraud by analyzing data anomalies, and support the accuracy of financials through ongoing transaction monitoring.

In short, generative AI is more than another technological advance for finance. It has the potential to thoroughly transform how the finance function operates, expands, and evolves to meet new challenges. Successful finance leaders are adopting solutions that address their immediate needs while also supporting a long-term digital strategy designed for sustainable growth and continued competitive advantage.

<sup>1</sup> Source: KPMG Generative AI survey, June 2023

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