Enabling a Sustainable Future

Presentation on megatrends impacting business
Dr Matthew Bell
28 Feb - 3 March 2017
“In just ten years’ time, over 40% of today’s Fortune 500 companies won’t exist.”

— Eric Qualman
Companies should not look just at their shareholders and their interests. But adopt an inclusive approach by taking into account the interest of all their stakeholders, including people, society, and environment.

Companies are a part of society, not apart from society.

-Mervyn King
Recent events shaping the global landscape

Volkswagen scandal:
► $14.7 bn in recalls and fines alone

Political shifts:
► Brexit
► Trump
Do you know if your social license to operate has already expired?

The post-war political/economic consensus is weakening under the shift of economic power and the rise of populist nationalism.

- Brexit and Trump are far from isolated incidents
- Corporate diplomacy is increasingly as important as sovereign diplomacy
Increasing speed to market of disruptive business models

Uber % of total rides in the US between March 2014 and March 2015

Source: Forbes 2015. *Uber’s Astounding Rise*

Netflix addressed a sleepy market, then built tech presence to disrupt

Source: Business Insider 2011. *How Netflix bankrupted and destroyed Blockbuster*
Asian Cities

By 2025, 20 of the world's 50 richest cities will be in Asia...

European Cities

…. more than half of Europe's top 50 cities will have fallen off this list

Wealth

Chinese and Indian Middle Class Consumption as a percentage of Global

2011: 6%

2030: 35%

Source: EY 2015. The upside of disruption
Data and Information access changes customers and how they act

15% to 100%

Growth rates during the recession of European businesses that utilise identity data as a core aspect of their business

Source: EY 2015. The upside of disruption

Businesses are failing to use approximately 80% of customer data now generated.

Source: EY 2015. The upside of disruption

75% of millennials check for a product’s sustainability credentials

Source: Time Magazine 2009

The highly open market for personal information will itself almost certainly be impacted by a privacy related controversy
Shifting customer loyalty and expectations

- Airbnb
- Spotify
- Airtasker
- Uber
Automation and Robotics will reshape jobs

47% of occupations in advanced economies are at “high risk” of being automated in the next 20 years.

By 2020, more than 50% of the workforce will be Generation Y and Z members – and they have grown up connected, collaborative and mobile.

Source: EY 2015. The upside of disruption
Power shift and struggles

- Of the 100 largest economies, 40 are now companies
- Social media platforms now outrank nations!
- In addition, the increasing power, wealth and political autonomy of cities will increase their relative importance as economic authorities
- Companies such as Levi’s and Mercedez Benz are distributing content on social media starring young “influencers”

Walmart annual turnover - $486b

E.g. GDP of Pakistan $247b
Paris – what does it mean?

Citi estimates that the cumulative global cost of climate change will reach **US$44 trillion** by 2060.

Source: Citi 2015. *Energy Darwinism II* in EY 2015 *The upside of disruption*
Increasing accountability for natural resource consumption

21 of the world’s 37 largest aquifers, providing the water for more than 2 billion people, have passed their sustainability tipping points.

Electric Cars less expensive than competition within 10 years, taking 35% of total global car sales by 2040

Post-Paris agreements mean 18% of all transport fuels will be biofuels by 2040

Source: EY 2015. The upside of disruption
“We are asking that every CEO lay out for shareholders each year a strategic framework for long-term value creation. Additionally, because boards have a critical role to play in strategic planning, we believe CEOs should explicitly affirm that their boards have reviewed those plans”

Larry Fink, 2016
Investors surveyed this year...

Over the long term, ESG issues – ranging from climate change to diversity to board effectiveness – have real and quantifiable impacts:

- 42% Agree strongly
- 50% Agree
- 6% Disagree
- 2% Disagree strongly

Generating sustainable returns over time requires a sharper focus not only on governance, but also on environmental and social factors:

- 38% Agree strongly
- 51% Agree
- 10% Disagree
- 1% Disagree strongly

Environmental and social issues offer both risks and opportunities, but for too long, companies have not considered them core to their businesses:

- 30% Agree strongly
- 52% Agree
- 16% Disagree
- 2% Disagree strongly

Public company CEOs should lay out an explicit strategy each year for long-term value creation AND directly affirm that the company’s board has reviewed it:

- 39% Agree strongly
- 53% Agree
- 5% Disagree
- 3% Disagree strongly

Source: EY 2017. Tomorrow’s investment rules 2017
Investors surveyed said...

- **81%** said they’re paying much closer attention following recent environmental and social non-compliances.
- **76%** said boards should have mandatory oversight on sustainability disclosures.
- **62%** have decreased or will closely monitor their investments with Stranded Asset Risk.

Investors surveyed this year...

As a result of the “2-degree” economy targets reached following the COP21 meetings in Paris, investors are expecting companies to...

- Dramatically increase disclosures of company climate practices and related risk management strategies: 27%
- Moderately increase disclosures of company climate practices and related risk management strategies: 58%
- Make little or no change in disclosures of company climate practices and related risk management strategies: 15%

Source: EY 2017. Tomorrow’s investment rules 2017
The Sustainable Development Goals

2030 Objective
On 1 January 2016, a set of goals to end poverty, protect the planet, and ensure prosperity for all came into force for

While the SDGs are not legally binding, governments are expected to take ownership and establish national frameworks for the achievement of the 17 Goals

Considering Sustainability
Seeding future strategy

Understanding Global Forces

Scenario Planning Future State

Strategy
The 5 year plan

Sustainability
The 5+ to >30 year context

Strategy
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