

Long Term Value

New reporting framework to
build greater trust in business

Presented by



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Building a better
working world

Today's discussion

Although the current ESG focus is mainly on climate change and protection from down-side risks

...Investors increasingly call for a broader definition of value



European Commission - Press release

Sustainable finance: Commission publishes guidelines to improve how firms report climate-related information and welcomes three new important reports on climate finance by leading experts



UK insurers to be scrutinized by BoE over climate change planning

BusinessGreen
Climate change could cause steel sector's profits to melt away, CDP warns

REUTERS
BUSINESS NEWS
AUGUST 20, 2019 / 8:10 AM / 3 DAYS AGO
Climate change could rain on Saudi Aramco's IPO parade



REPORT / 18 JAN. 2018

Global Car Industry Must Shift to Low Carbon to Survive - CDP



World's Biggest Investor Tells C.E.O.s Purpose Is the 'Animating Force' for Profits

A year after his annual letter to chief executives urged them to run their companies with the social good in mind, the BlackRock chief Larry Fink said they must step into a leadership vacuum.

Companies should expect more investor questions on societal impact. Blackrock under pressure to 'walk the talk'



State Street tells boards to focus on corporate culture: asset manager wants companies to focus on 'human capital' to help create long-term value

Investors want to know more about human capital management and cultural alignment to purpose and strategy

Panellists at Davos were united in their message

Paul Polman (former CEO, Unilever) - "We have to make clear to the financial community, that it is in their interest to realise that profit might be a measure or output of what you do but it cannot be the sole objective of what you do..."

It is important to clearly communicate to investors how your purpose is and will drive financial success

Long-Term Value is more important than ever



Megatrends

Organizations need to know where disruption is coming from, where it's headed, and what it means—the world is changing in many ways:

1

Technology

Human augmentation and pace of change: AI, AR, VR, IoT, sensors, blockchain, autonomous vehicles, drones, robots, wearables, brain-computer interfaces, etc.

2

Globalization

Populism: despite lifting 1B+ people out of poverty, income inequality and immigration will continue to strain social contracts

3

Demographics

Aging populations across much of the world are threatening to overwhelm health care and pension systems

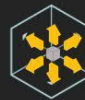
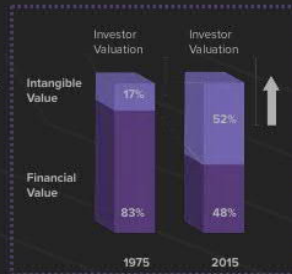


Changing Shape of Value

An increasing proportion of a company's value lies in its intangible assets

52%

of market value is now based on intangibles



Proliferation of Big Data

Big data is both disrupting information asymmetries as well as providing new ways of measuring value

64%

of people say they find leaked information more believable than press statements



Investment Disconnect

The investment chain tends to focus on the short-term despite the desire to create value in the long-term

Pressure to demonstrate strong financial performance within two years rose from 79% to

87%



Widening Trust Gap

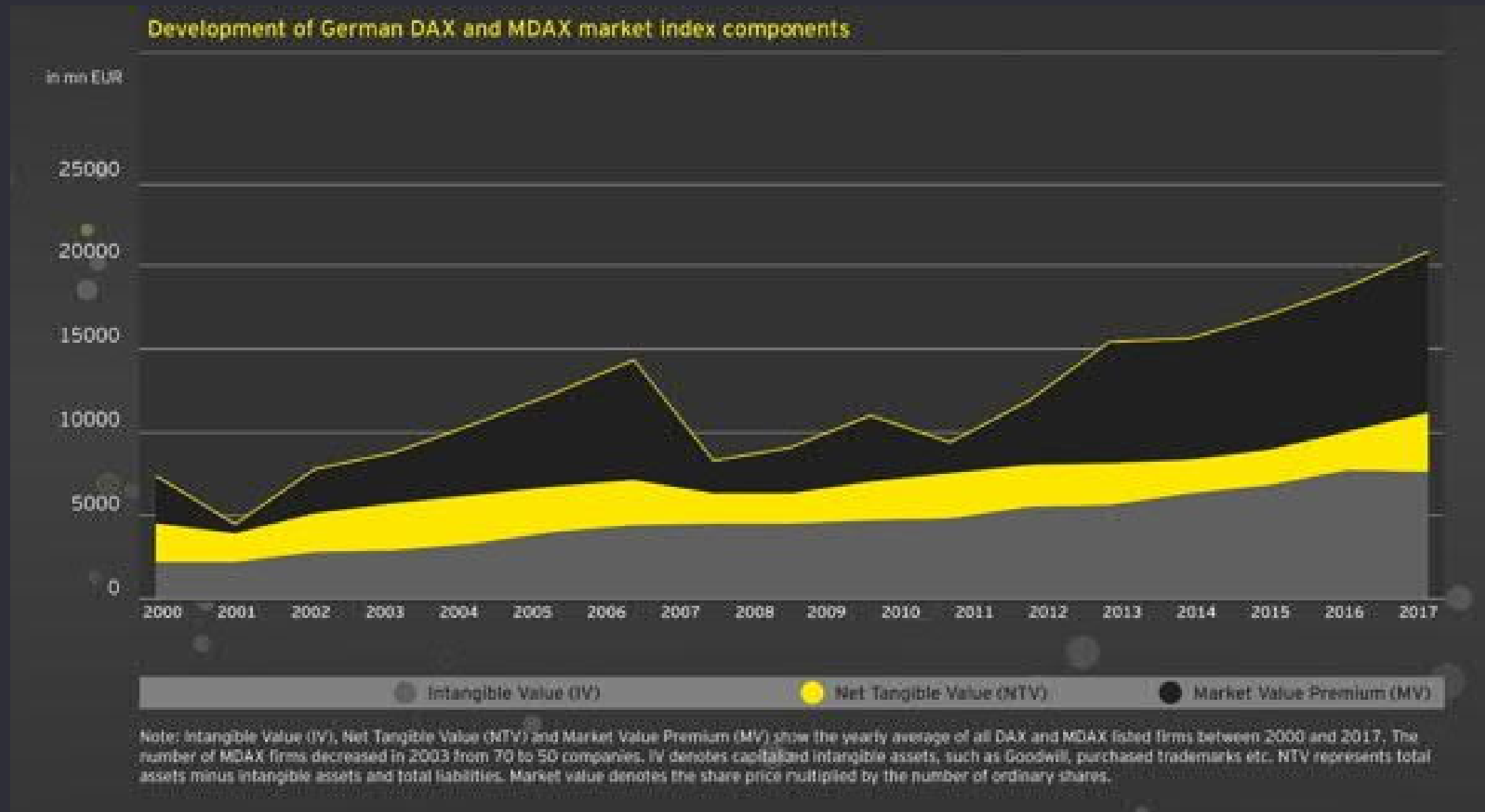
Trust in the establishment, including entities, is at an all-time low

78%

of people think businesses are unlikely to do the right thing in their community

“Purpose guides culture, provides a framework for consistent decision-making, and, ultimately, helps sustain long-term financial returns for the shareholders of your company.” – Larry Fink, in the 2019 Annual Letter to CEOs

Shape of Value



What is the Embankment Project for Inclusive Capitalism (EPIC)?

An 18 month collaboration between
Inclusive Capitalism & EY

Bringing together asset managers, asset
owners & companies

Resulting in the
EPIC Report (Phase 1)



Lady Lynn Forester de Rothschild
CEO and Founder of the Coalition
for Inclusive Capitalism



Mark Weinberger
Global Chairman and CEO of EY



[Click here to watch video](#)

Lady Lynn & Mark
Weinberger launch EPIC on
US news channel



[Click here to read article](#)

All EPIC participants signed
their commitment publicly in
the Wall Street Journal

“We came together in pursuit of a single goal: to **identify** and **create** new **metrics** to measure and **demonstrate long-term value** to financial markets”

US\$30 trillion
Assets under management

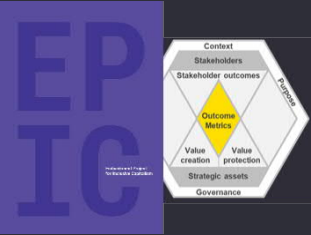
31 participants
(See next slide for list)

US\$1.5 trillion
Market Capitalization

9 Companies

11 Asset Managers

11 Asset Owners



EPIC Report Published Nov 2018

Validated EY LTV Framework & guidance to help
companies develop metrics to articulate
Long-Term Value

Initial set of 63 metrics across four focus areas:



- ▶ Talent
- ▶ Innovation & Consumer Trends
- ▶ Society & Environment
- ▶ Governance

Focus on three industry groups:

Healthcare, Consumer Products, & Industrial Products

EPIC Phase 2 commencing Aug/Sep 2019

Which companies, asset managers and asset owners participated in EPIC?

Companies	Americas 		EMEIA 	
	Aetna DuPont Ecolab	PepsiCo Johnson & Johnson	BASF Nestle Unilever	Novartis
	Asset Managers		Asset Managers	
Asset Owners	BlackRock* Fidelity Investment ISA* JPMorgan Chase & Co MassMutual Neuberger Berman*		State Street Global* Advisors (SSGA) TIAA Vanguard®*	
	Allstate CalPERS CalSTRS CPP Investment Board		Guardian MetLife Washington State Investment Board	
			Allianz Insurance	
				AsiaPac 
				Government Pension Investment Fund (GPIF) NZSUPERFUND

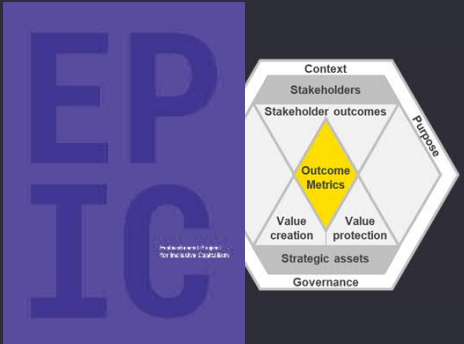
Which were the outcomes of EPIC?



EPIC participants validated EY's LTV Framework and generated investor-verified outcome metrics to measure Long-Term Value

A four-step process to help companies better articulate how they are creating & protecting long-term value

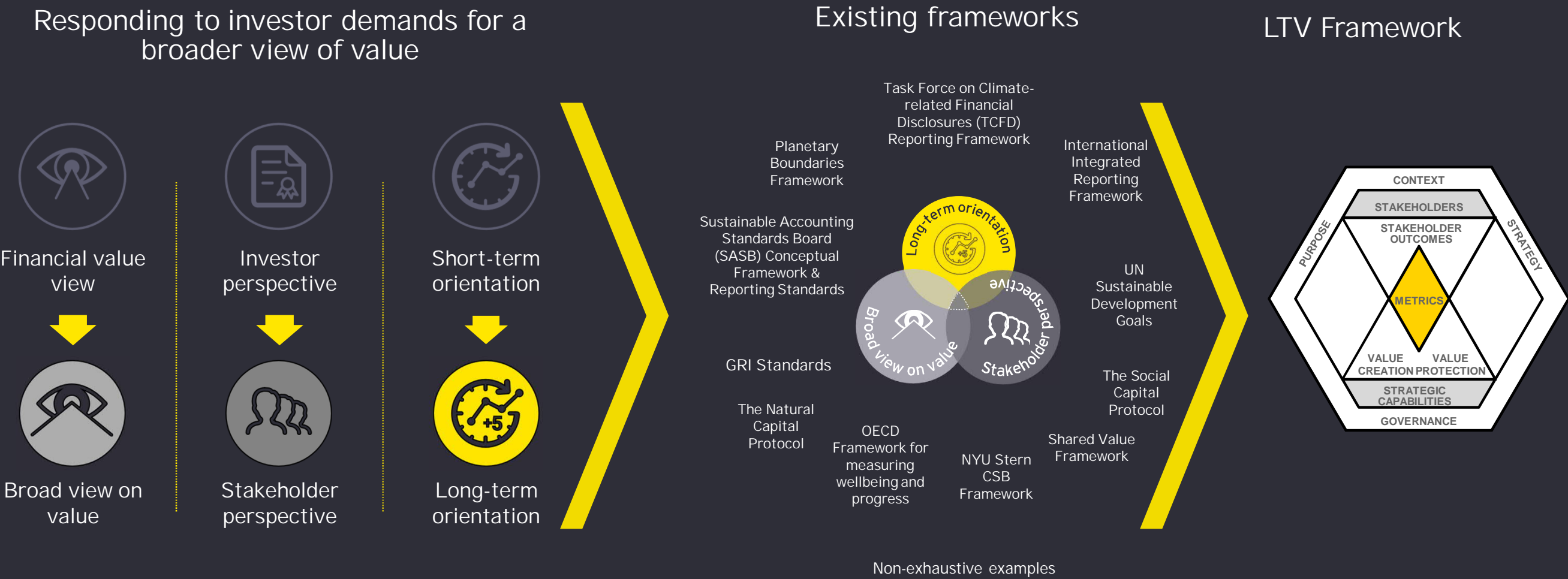
1. **Establish the business context** (Context, Purpose, Governance & Strategy)
2. **Determine stakeholder outcomes**
3. **Understand drivers of value creation & protection**
4. **Develop metrics to articulate value**



A broader definition of value & initial set of metrics



A focus on intangible value is not new; EPIC combined previous efforts to create the LTV Framework



An aerial photograph of a dense urban skyline, likely New York City, featuring numerous skyscrapers. A large, bright yellow rectangular area is overlaid on the left side of the image, partially obscuring the city view. The text "Thank you" is written in black on this yellow area.

Thank you



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