



2019 **ANNUAL  
MEETING**  
& EXHIBIT

October 27-30  
Toronto, Canada

## Session 032: Women's Leadership Forum & Luncheon: Women and Purpose-Driven Innovation

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How can organizations translate purpose from vision into value?

SOA Session  
Kris Pederson, EY

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**EY** Building a better  
working world

**EY**





## What if money and meaning go hand-in-hand?

Hear executives discuss how profit and purpose aren't mutually exclusive and work together for a company's bottom line.

April 2018

[https://players.brightcove.net/1066292269001/BJmSIObm\\_default/index.html?videoId=5774035186001](https://players.brightcove.net/1066292269001/BJmSIObm_default/index.html?videoId=5774035186001)

# AGENDA



1

## What are Business Leaders Saying Now?

*A mandate for purposeful businesses*



2

## Impact on Long-term Value?

*What is Purposes' role in creating LTV?*

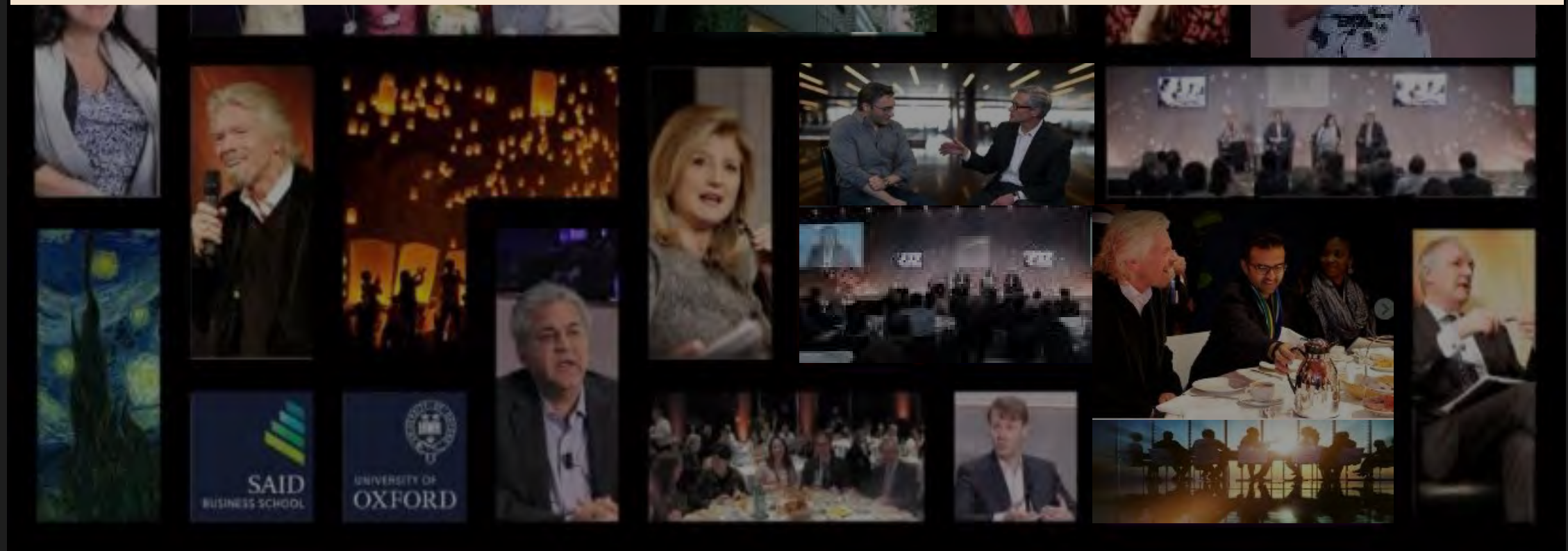
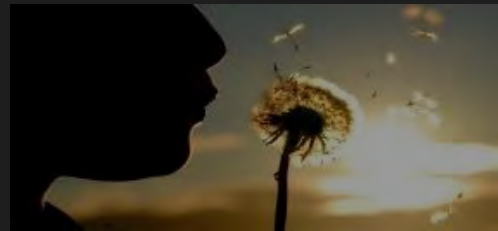
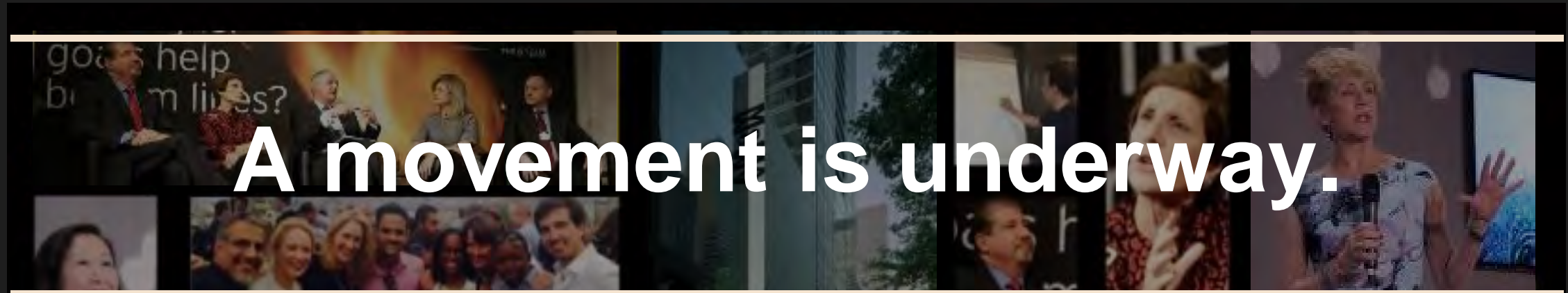
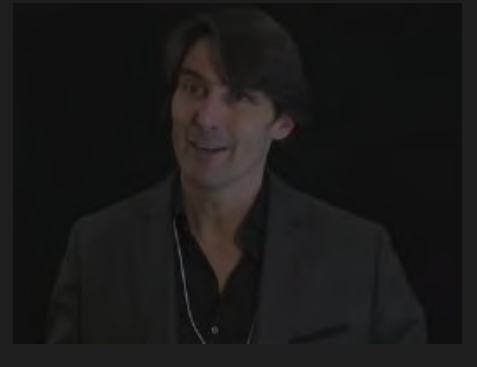
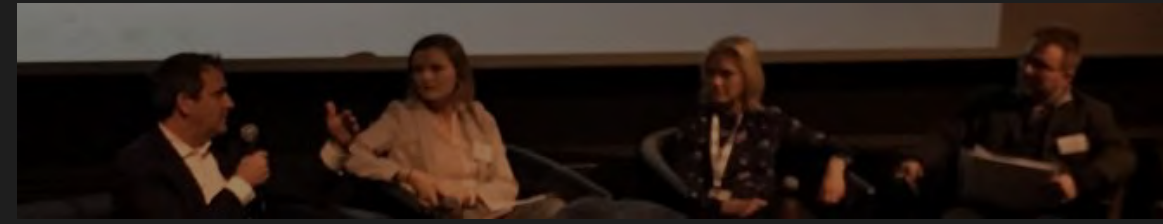


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## Purpose for SOA Members?

*How can purpose help you?*







# The debate is going mainstream in the US with Business Roundtable

- On Aug 19, 2019 prominent CEOs affirmed that their companies exist to "benefit of all stakeholders - customers, employees, suppliers, communities and shareholders."
- Among the 181 signatories are the CEOs of Amazon, Apple, BlackRock, IBM, JPMorgan Chase, and Walmart.
- The new statement affirms the commitment to all **Stakeholders** – not just financial **Shareholders**



*"People are asking fundamental questions about how well capitalism is serving society."* –  
Alex Gorsky, CEO, Johnson & Johnson

*"Society gives each of us a license to operate. It's a question of whether society trust you or not."* –  
Ginni Rometty, CEO, IBM



## Statement on the Purpose of a Corporation

Americans deserve an economy that allows each person to succeed through hard work and creativity and to lead a life of meaning and dignity. We believe the free-market system is the best means of generating good jobs, a strong and sustainable economy, innovation, a healthy environment and economic opportunity for all.

Businesses play a vital role in the economy by creating jobs, fostering innovation and providing essential goods and services. Businesses make and sell consumer products; manufacture equipment and vehicles; support the national defense; grow and produce food; provide health care; generate and deliver energy; and offer financial, communications and other services that underpin economic growth.

While each of our individual companies serves its own corporate purpose, we share a fundamental commitment to all of our stakeholders. We commit to:

- **Delivering value to our customers.** We will further the tradition of American companies leading the way in meeting or exceeding customer expectations.
- **Investing in our employees.** This starts with compensating them fairly and providing important benefits. It also includes supporting them through training and education that help develop new skills for a rapidly changing world. We foster diversity and inclusion, dignity and respect.
- **Dealing fairly and ethically with our suppliers.** We are dedicated to serving as good partners to the other companies, large and small, that help us meet our missions.
- **Supporting the communities in which we work.** We respect the people in our communities and protect the environment by embracing sustainable practices across our businesses.
- **Generating long-term value for shareholders,** who provide the capital that allows companies to invest, grow and innovate. We are committed to transparency and effective engagement with shareholders.

Each of our stakeholders is essential. We commit to deliver value to all of them, for the future success of our companies, our communities and our country.

August 2019



# Other company & investor announcements



The Value Balancing Alliance – consisting of SAP, Bosch, BASF, Novartis, SK, Deutsche Bank, LafargeHolcim and Philip Morris and supported by Big 4 announced their common project to develop accounting standards to reflect the societal impact of corporations



**The New York Times**  
*Shareholder Value Is No Longer Everything, Top C.E.O.s Say*

**THE WALL STREET JOURNAL.**  
 Move Over, Shareholders: Top CEOs Say Companies Have Obligations to Society

**FINANCIAL TIMES**  
 SEC proposes revamp of corporate disclosures  
 US regulator said move will reduce compliance costs by giving companies 'flexibility'

34 CEOs joined the CEO of Danone in Biarritz for the G7 meeting to ask for a new reporting framework that would have less focus on quarterly results and more focus on human capital, environment and society



**BUSINESS PLEDGE AGAINST INEQUALITIES**

Businesses have a responsibility to society beyond their shareholders. We, the undersigned, commit to a new standard of corporate responsibility that goes beyond financial performance to include the well-being of our employees, customers, communities, and the environment. We believe that this is the only way to ensure long-term success and sustainable growth.

**Our commitment to inclusive growth:**

- 1. We will ensure that our business operations are inclusive and accessible to all, regardless of gender, race, ethnicity, age, disability, or sexual orientation.
- 2. We will invest in our employees, providing them with the training and development opportunities they need to succeed.
- 3. We will support our communities, investing in the infrastructure and services that are essential for their well-being.
- 4. We will protect the environment, reducing our carbon footprint and promoting sustainable practices.

**Our call for innovative public-private collaboration:**

We believe that the most effective way to address the challenges of the 21st century is through public-private collaboration. We call on governments to create a regulatory environment that encourages innovation and investment, while also ensuring that the benefits of growth are shared by all.

**Participants:** Accenture, Amazon, Apple, AstraZeneca, BHP, Bosch, British American Tobacco, BUNGE, Cargill, CECP, CEVA, CMAI, CNOOC, Colgate, Danone, Deere, Diageo, E.ON, Ecolab, Enbridge, Entegris, Equinor, Facebook, GlaxoSmithKline, Google, Harsco, Hilti, IBM, Intel, Johnson & Johnson, JPMorgan Chase, KPMG, L'Oréal, Linde, Lloyds, Mastercard, Merck, Microsoft, Nike, Novartis, Orica, P&G, Pfizer, SAP, Shell, SK Chemicals, SK Group, Siemens, Sony, Standard Chartered, Sunoco, Takeda, Toyota, Unilever, Volkswagen, Walmart, Xerox, Zinnov.



# CALLING

# HIGHER

On June 6, Warren Buffet and Jamie Dimon, Chairman of Business Roundtable, published in WSJ: “Short-Termism Is Harming the Economy, *Public companies should reduce or eliminate the practice of estimating quarterly earnings.*”



“ When companies get where they're sort of living by so-called making the numbers, they do a lot of things that really are counter to the long-term interests of the business. ”

-- Warren Buffet





A portrait of Larry Fink, CEO of BlackRock, wearing a dark suit, a light blue shirt, and a purple striped tie. He is looking slightly to the right of the camera with a neutral expression.

## Does altruistic purpose lead to long-term value?

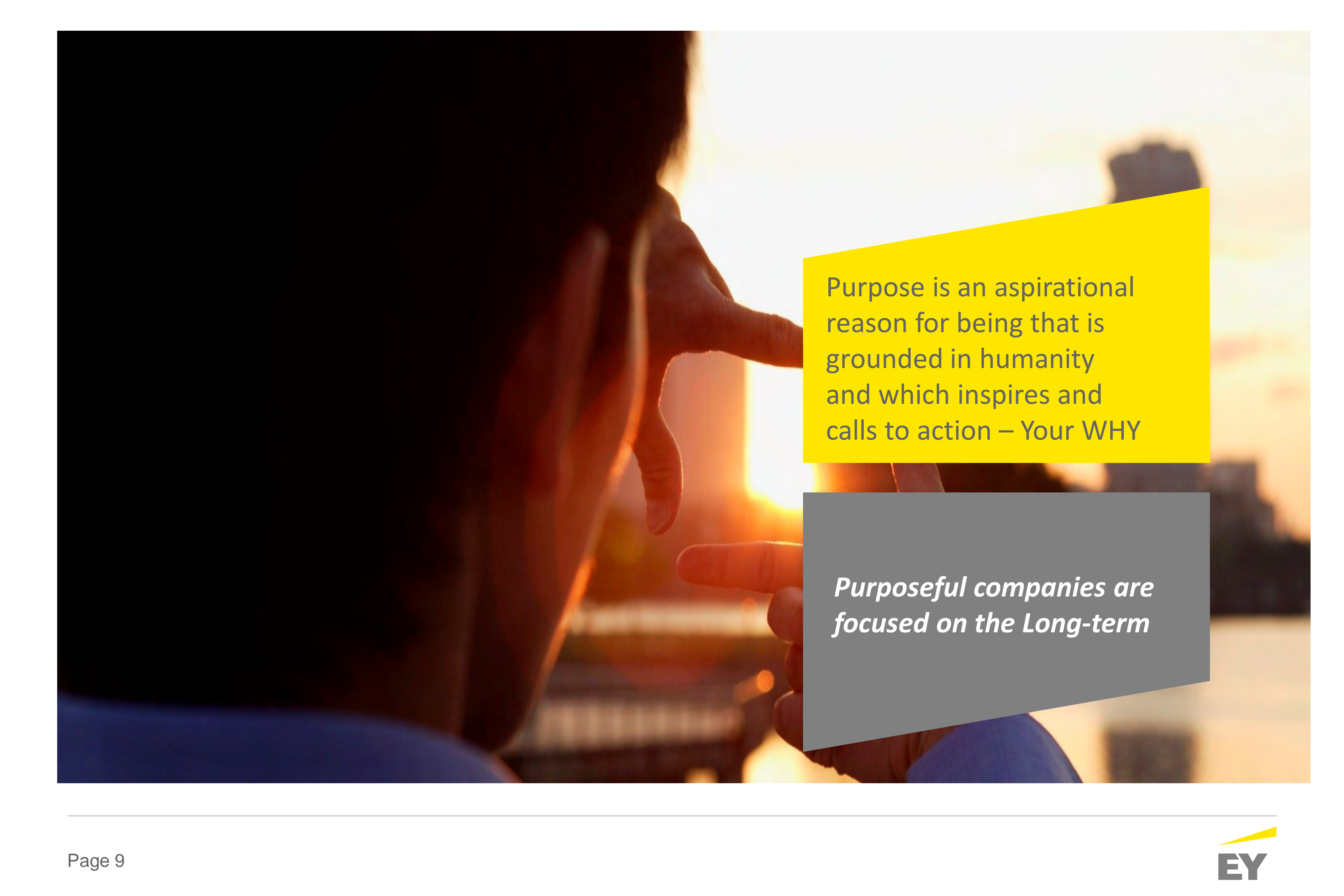
Inspiring strategies for the new world

**BlackRock recognizes that companies must have a purpose in society**

“ Society is demanding that companies, both public and private, serve a social purpose. To prosper over time, every company must not only deliver financial performance, but also show how it makes a positive contribution to society. Companies must benefit all of their stakeholders, including shareholders, employees, customers, and the communities in which they operate. ”

“... publicly articulate your company’s strategic framework for long-term value creation ....”

**Larry Fink, BlackRock CEO**



Purpose is an aspirational reason for being that is grounded in humanity and which inspires and calls to action – Your WHY

*Purposeful companies are focused on the Long-term*



# The business case for purpose

why





# Purposeful companies outperform the rest

Inspiring strategies for the new world

Get and keep the best  
**employees**

**1.4x** more engaged<sup>1</sup>

**1.7x** more satisfied<sup>1</sup>

**3x** more likely to stay<sup>1</sup>

**47%** more likely to promote employer

Attract, retain and engage  
**customers**

**73%** would switch to brand with purpose<sup>2</sup>

**84%** emerging market consumers make cause-related purchases annually<sup>2</sup>

**46%** more share of wallet gained by “meaningful brands”<sup>4</sup>

Increase returns for  
**shareholders**

**14x**

Purpose-led companies outperformed S&P 500 1998-2013<sup>3</sup>

**133%**

“Meaningful brands” connected to human well-being outperform Stock market 2015<sup>4</sup>



# Innovation and transformation

Purposeful companies agree that Purpose is extremely critical to:

**68%**

**Ability to  
innovate in times  
of disruption**

**59%**

**Ability to drive  
transformational  
change**

# Growth and expansion

Prioritizing Purpose helps:

**66%**

**Expand  
geographically**

**57%**

**Drive M&A  
success**

**56%**

**Launch new  
products**



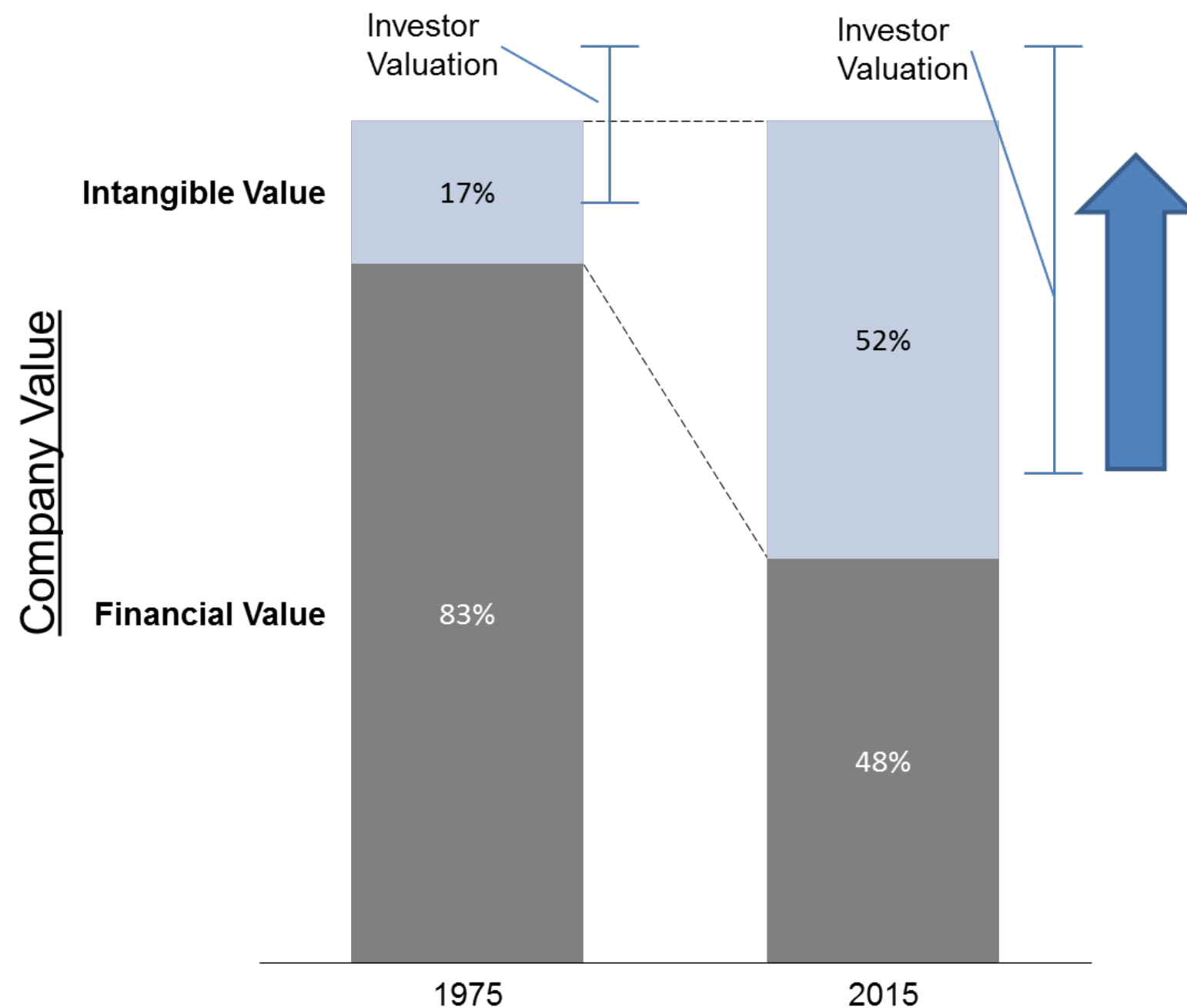
# The Embankment Project Convened 31 Global ‘Blue Chip’ Companies to Study Long-term Value and Purpose

Participants/region	Americas 	EMEIA 	AsiaPac 
<b>Asset Creators (AC)</b> <b>USD 1.5 trillion</b> Market Cap. (9 participants)	Aetna DuPont ECOLAB Johnson & Johnson PepsiCo	BASF Nestle Unilever Novartis	
<b>Asset Managers (AM)</b> <b>USD 21.3trillion AUM</b> (11 participants)	BlackRock Fidelity Investment ISA JPMorgan Chase & Co MassMutual Neuberger Berman State Street Global Advisors (SSGA) TIAA Vanguard®	Amundi Asset Management Investec Asset Management Schroders	
<b>Asset Owners (AO)</b> <b>USD 7.4trillion AUM</b> (11 participants)	Allstate CalPERS CalSTRS CPP Investment Board Guardian MetLife Washington State Investment Board	Allianz Public Investment Fund Saudi Arabia	GPIF NZSUPERFUND

*A unique market led project bringing together major global brands across the entire investment value chain*

# The Long-Term Value Agenda Focuses on the Changing Shape of Business Value

- ▶ Intangible assets matter, comprising > 50% of market value (and up to 90% for some technology companies)
- ▶ Most companies do not measure or communicate the full picture of what drives their long-term value, leaving valuations up to investors or not reported at all
- ▶ Only 25% of Investors believe that financial reporting clearly conveys how a company can create future value<sup>1</sup>



**52%** of market value is now based on intangibles

- 2017 Global Intangible Finance Tracker

**Long Term Value** aims to articulate the dimensions of total company value:

1. Consumer Value
2. Employee Value
3. Social Value
4. Financial Value



## Brief Video: An introduction to EY's Long-term value framework



Click video above or stream <https://vimeo.com/267779498/3de6eb4306>

# CONSUMER – Value

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Innovation  
Consumer Health  
Consumer Trust

The logo for Walt Disney, featuring the name "WALT DISNEY" in a stylized, cursive script.

"To Spread Happiness"



"You become part of a family  
that's there for you during  
every stage of your life"



"Fulfill dreams of personal  
freedom"



**Apple Mission:** “to bring the best user experience to our customers through innovative hardware, software, and services.”



**Purpose/LTV:** To make a contribution to the world by making tools for the mind that advance humankind

Consumer  
Value

# HUMAN - Value

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Human Capital Deployment  
Employee Health  
Organizational Culture



“Treat People like Royalty”



“Inspire and nurture the human spirit –  
one person, one cup and one  
neighborhood at a time”

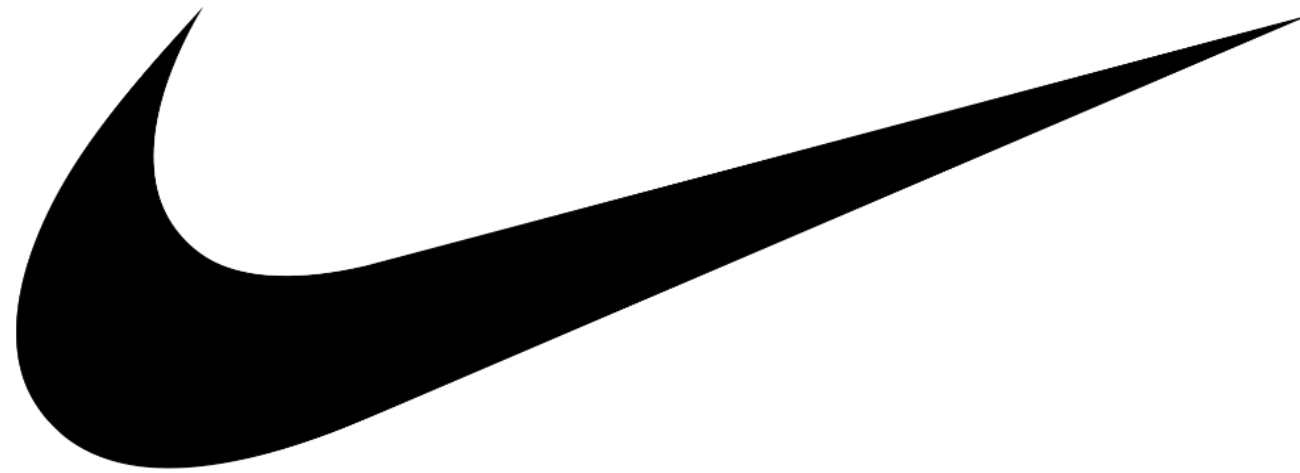
**barrywehmiller**

BUILDING BETTER WORLD THROUGH BUSINESS

“Better me, better we,  
better world!”



**Mission:** Our mission is what drives us to do everything possible to expand human potential.



**Purpose/LTV:** To bring inspiration and innovation to every athlete\* in the world

\* If you have a body, you are an athlete.

Human  
Value

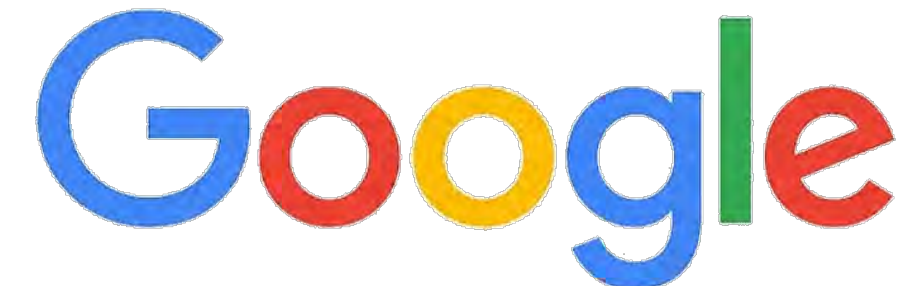
# SOCIETY - Value

Environment  
Regulatory  
Ethics

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The logo for Procter & Gamble, consisting of the letters 'P&G' in a bold, blue, serif font.

“...improving the lives of the world’s consumers now and in the future...”

The multi-colored logo for Google, with each letter in a different color: G (blue), o (red), o (yellow), g (blue), l (green), e (red).

“To organize the world’s information and make it universally accessible and useful”

The logo for TOMS shoes, featuring the word 'TOMS' in a bold, black, sans-serif font, centered between two horizontal light blue bars.

“One for One”



*Unilever*

“Making sustainable living commonplace”

The logo for American Standard, with the words 'American Standard' written in a yellow, cursive script font.

“Reduce waste-based disease in the world ”





“To make sure as many people as possible engage in the global economy”

Societal  
Value



## **What if the banking system included the excluded?**

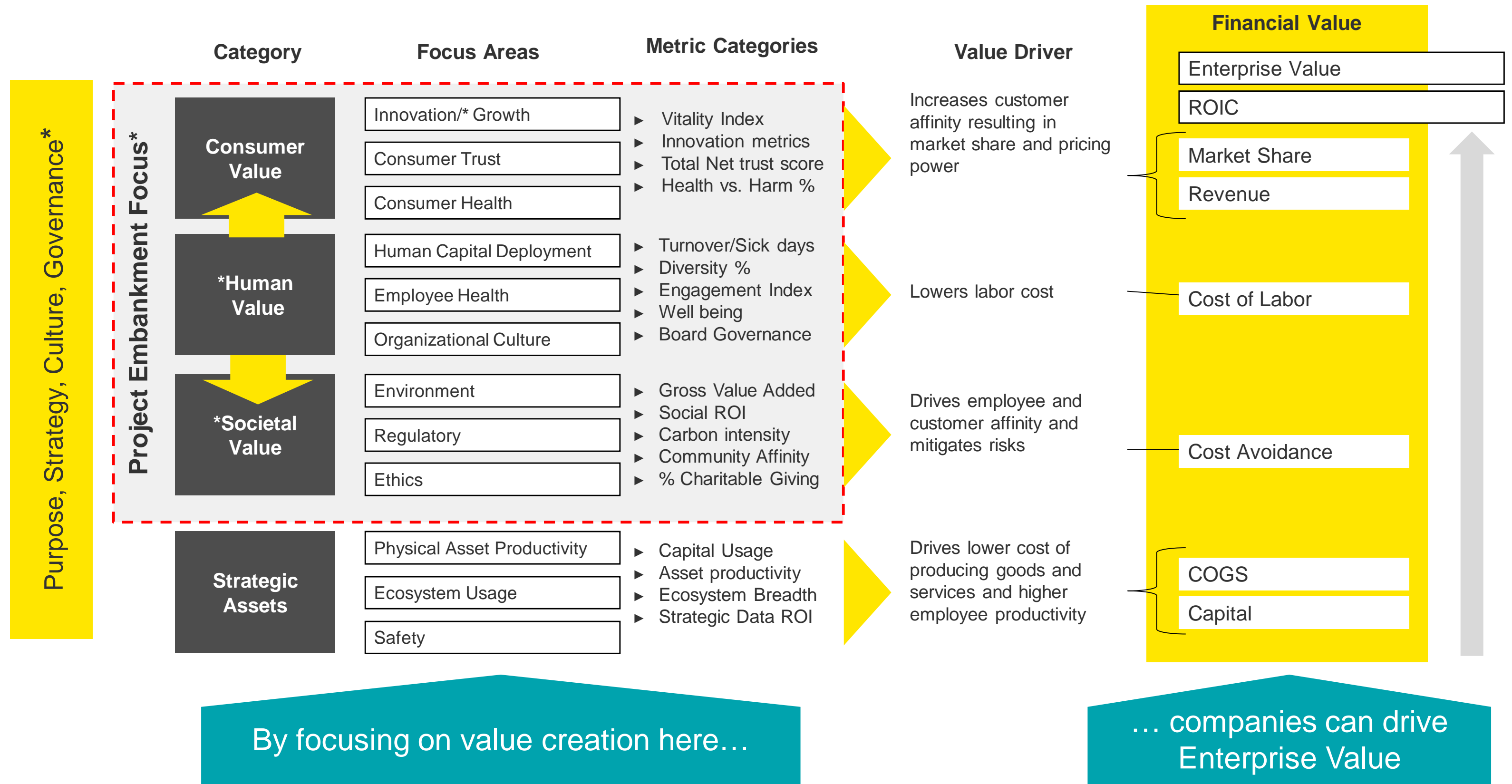
A focus on financial inclusion is creating business opportunities for Mastercard and helping the company bring the benefits of a growing economy to society.

May 2018

[https://players.brightcove.net/1066292269001/default\\_default/index.html?videoId=5786790149001](https://players.brightcove.net/1066292269001/default_default/index.html?videoId=5786790149001)

# Purpose and Profit through a LTV Model

*Focusing on consumer, employee, societal, and strategic assets drives financial performance*



\* Four value drivers (Governance, Innovation, Employee Value and Societal Value) were specifically called out with analysis provided within the Embankment Project



Is your purpose  
**lectured or**  
**lived?**

Many top-level executives believe their company's purpose is well-executed across the organization.

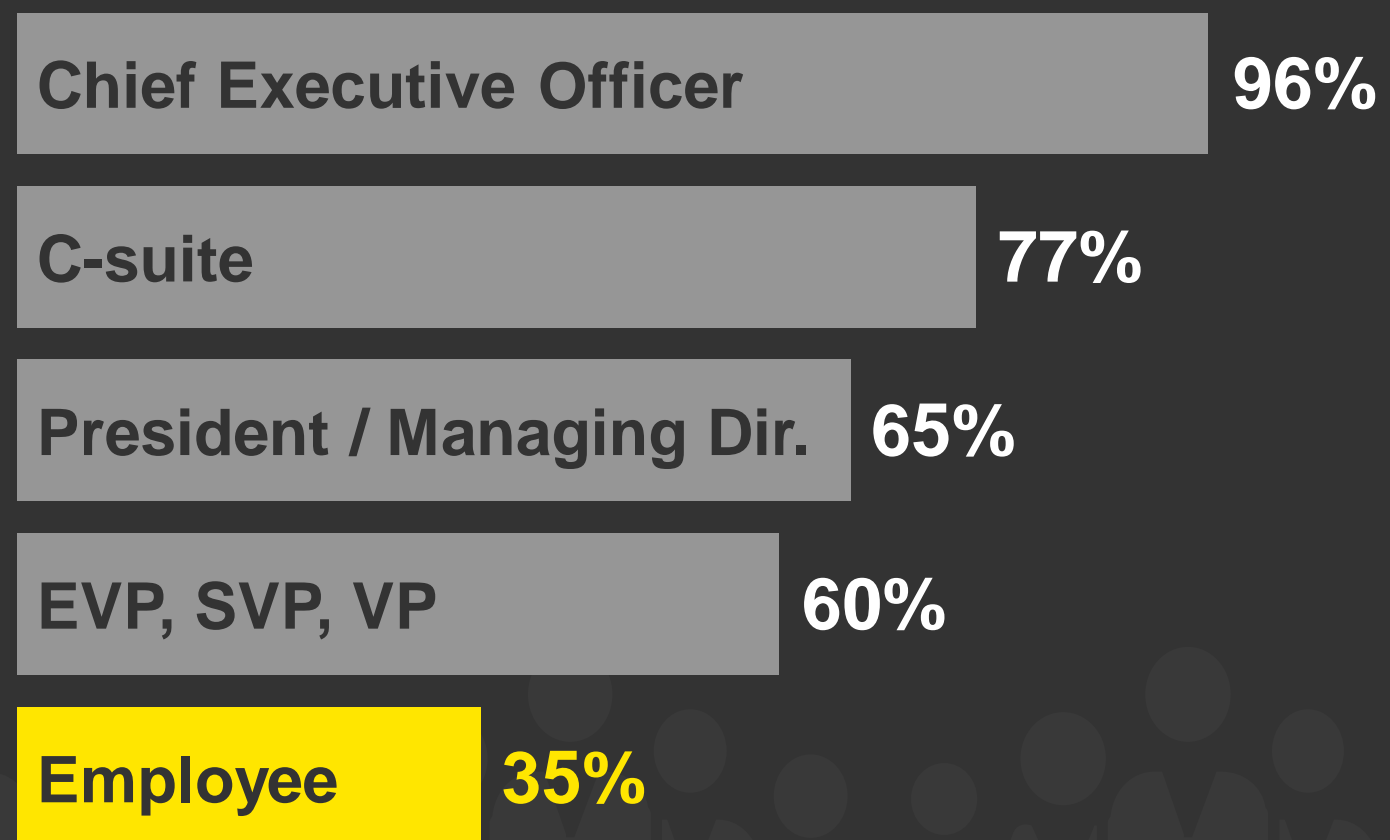
**Why don't employees feel the same?**

“

*Our purpose strongly informs all of our strategic and operational decision-making and activities best applies to my organization*

”

2017 Beacon Study





What do you do?



Who are the key **stakeholders** you want to inspire with your purpose?



Why is that job **important**?  
How does your job make the world **work better**?



What could **your team** do differently, to activate its purpose? What could **the firm** do?





What role does **purpose** play in your company?



Who are the key **stakeholders** you want to inspire with your purpose?



How challenging will it be to **align your people and processes** to a stated purpose?



Do you believe purpose could be an accelerant to **long-term value** at your company?



A low-angle, upward-looking photograph of several modern skyscrapers with glass facades. The buildings are set against a bright blue sky filled with scattered white clouds. The perspective creates a sense of height and scale. In the bottom left corner, a street sign is partially visible, showing the text 'ALL STAR', 'RED CARP', and 'SHOW'.

# Building a better working world

The EY logo consists of the letters 'EY' in a bold, white, sans-serif font. A bright yellow chevron shape points upwards and to the right, positioned behind the 'Y' and extending towards the top right of the frame.

**EY** Building a better  
working world