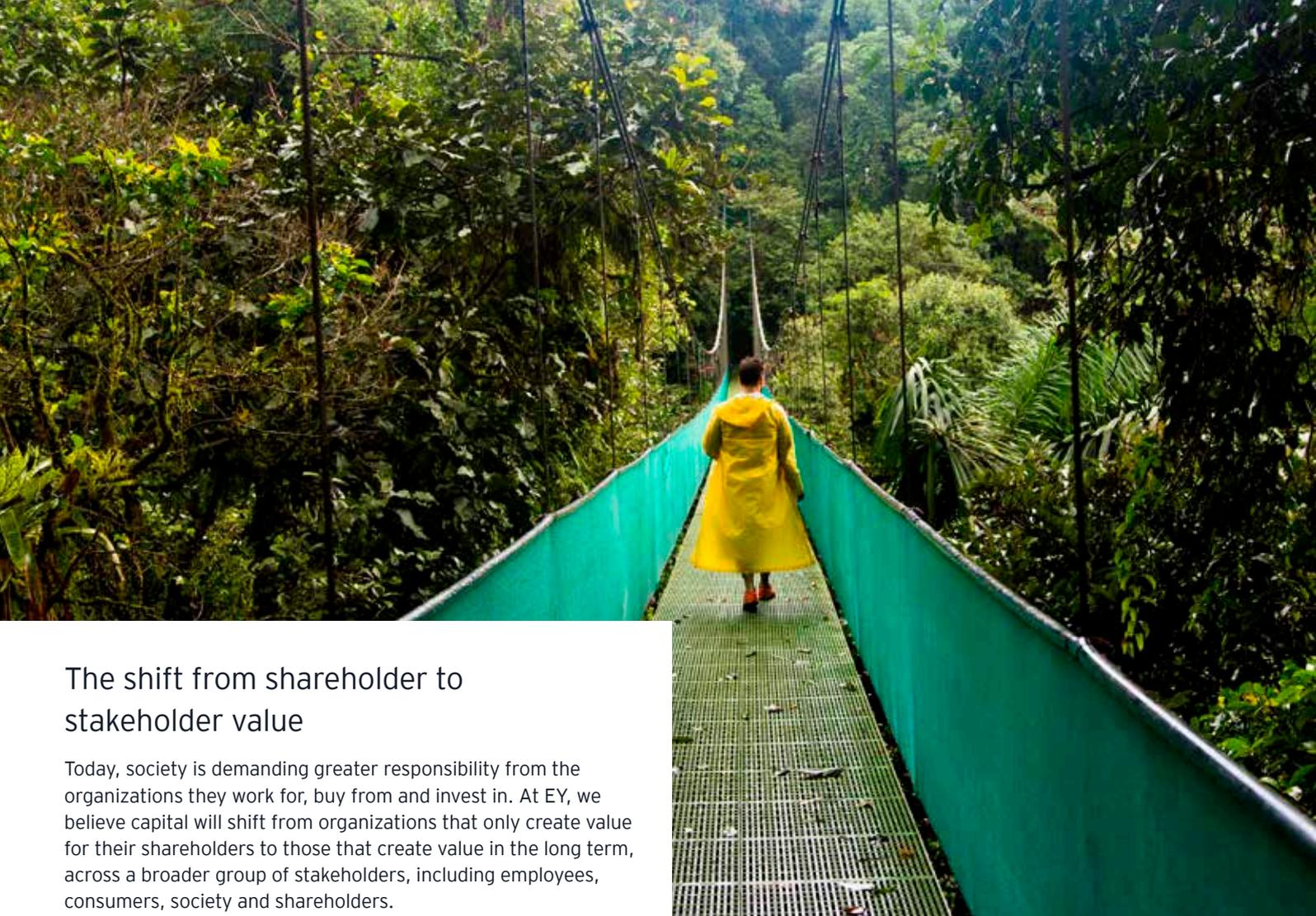


Getting ready for the move from shareholder to stakeholder value

Creating, measuring and reporting value
for all stakeholders



The shift from shareholder to stakeholder value

Today, society is demanding greater responsibility from the organizations they work for, buy from and invest in. At EY, we believe capital will shift from organizations that only create value for their shareholders to those that create value in the long term, across a broader group of stakeholders, including employees, consumers, society and shareholders.

Organizations that authentically anchor their approach to long-term value with a meaningful purpose are best positioned to benefit from, demonstrate and measure the value they create.

At EY, we are constantly learning through our own purpose journey, *"Building a better working world"*, and have applied the long-term value framework to help define and measure our ambition, building on the work with The Embankment Project for Inclusive Capitalism (EPIC)¹ and insights developed over the past two years.

We believe this makes EY professionals uniquely suited to help organizations define and activate their purpose, as well as articulate their ambition for how they intend to create and measure long-term value and deliver outcomes for stakeholders.

Why are so many organizations shifting?

1. Ability to attract top talent
2. Build customer loyalty
3. Attract capital investment
4. Focus on problems of people and planet
5. Create trust with wider society

The case for change has never been so clear

With trust in business standing at only 58%², the need for business to communicate, act and operate credibly and consistently with their stated purpose is becoming a strategic imperative. It impacts the ability to recruit talent, retain customer loyalty and attract capital.

Society is calling for business to focus less on short-term profit and more on meeting the needs of people and planet.

Technology has enabled the latest generations to be more connected than ever and employees, customers and investors have easy access to public data. This makes it increasingly difficult for companies to control their equity and brand narratives.

Combatting the problems of people and planet means that, intangible assets such as human capital, organizational culture, consumer trust and investment in innovation are more important than ever, but only a small proportion of this value is reflected on the balance sheet, contributing to the significant disparity between a company's net assets and its market capitalization.

So how can companies best respond to this shift from shareholder to stakeholder value, and maximize the potential to build trust, access capital, attract top talent and increase customer loyalty?

¹ <https://www.epic-value.com/static/epic-report-web- df894ad112b70406d9896c39f853deec.pdf>

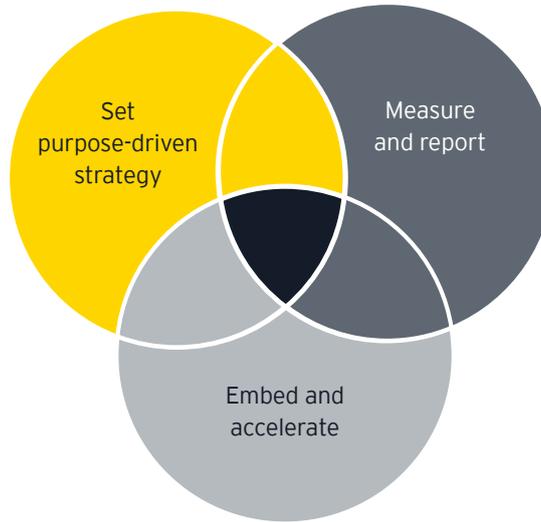
² https://cdn2.hubspot.net/hubfs/440941/Trust%20Barometer%202020/2020%20Edelman%20Trust%20Barometer%20Global%20Report.pdf?utm_campaign=Global:%20Trust%20Barometer%202020&utm_source=Website

Driving strategic transformation for long-term value

Setting the strategy for a purpose-led business entails a clear understanding of stakeholders and their desired outcomes. A meaningful purpose and vision of the future can make it clear why the business exists and what lasting impact it is working towards.

What is the company's inherent reason for being? What outcomes does that purpose aim to deliver to its stakeholders? Are the company's ambitions and strategy genuinely aligned to its purpose?

Given the speed of change, how are today's disruptions going to influence the changing needs of people and planet and be reflected in your strategy?



To maximise shareholder support for long-term value creation strategies, the measurement of progress towards new, purpose-driven goals should be transparent, authentic, balanced and report a broader spectrum of value.

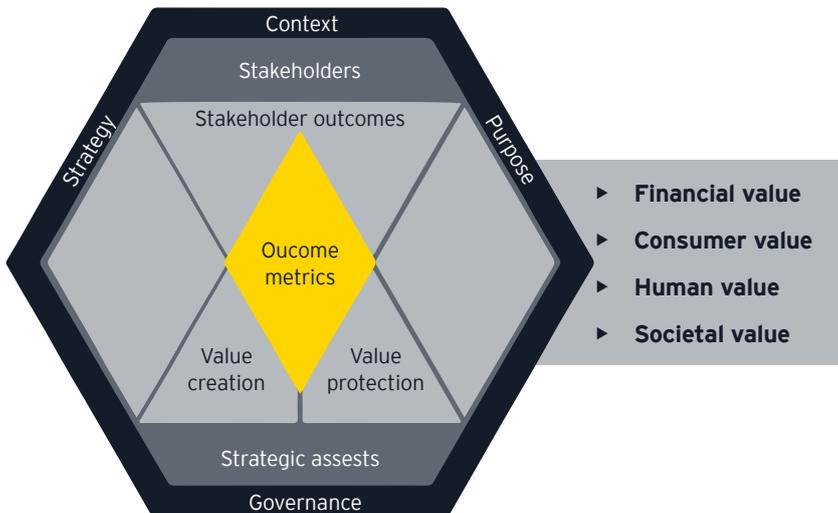
Is the whole range of value delivered to these stakeholders being communicated: financial, consumer, human and societal? Are you correlating stakeholder impacts to financial value wherever possible?

How are you capturing intangible assets like culture, innovation or consumer trust? How are you communicating your long-term value creation story?

Unless the focus on broader stakeholder outcomes is embedded across the whole organization, investors, regulators, consumers and broader society may not believe that an organization is focused beyond profit. Companies should take action to drive consumer, societal and human value for their stakeholders, with the needs of broader stakeholders underpinning everything from incentive schemes to supply chain management, capital allocation and acquisition strategies. Companies should embed this mindset throughout the cultural fabric of their organization.

Leading with purpose improves focus on stakeholder outcomes, shifts the basis of value creation to the longer term, and improves performance by providing of a compelling cause beyond solely profits.

Measuring a broader definition of value



EY Long-Term Value Framework, developed as part of the Embankment Project for Inclusive Capitalism, helps companies to think and articulate more clearly and effectively, how they create, measure and communicate the financial, consumer, human and societal value they create for their material stakeholders.

It drives a clear linkage between the purpose and strategy of a business, the strategic assets which the organisation leverages to deliver value, and the metrics used to measure the outcomes delivered for stakeholders. The framework is intended to help business take advantage of the virtuous circle of value creation for stakeholders.

An accelerator to this mindset shift is EY Purpose Transformation Framework, developed and refined from EY's own global purpose journey and from experience helping EY's clients operationalize their purpose-led transformations.

Is it time for your business' strategy, reporting or business model to reflect emerging stakeholder demands?

- ▶ Is there a strong sense of purpose embedded throughout your organization?
- ▶ Do your employees, customers, and investors understand your long-term value proposition?
- ▶ Do you know what the future of work holds and are you able to attract and nurture the best talent?
- ▶ Are investors asking about the impact of the business on people and planet?
- ▶ Is your business fully aligned with your ambitions for delivering stakeholder value?

Are you clearly articulating the value being delivered by your organization?

- ▶ Is there high volatility in your share price?
- ▶ Is your equity narrative easy to articulate?
- ▶ Do you think the stock price is under-valued?
- ▶ Is your business model reliant on a high level of intangible assets?
- ▶ Is your organization attracting increased scrutiny from regulators?
- ▶ Is your organization attracting increased scrutiny from activist investors?

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

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