

TOMORROW, TODAY 4: HOW SUSTAINABILITY IS REIMAGINING MARKETS

VIDEO TRANSCRIPT

Oli Barrett: Sustainability is reinventing markets. From transport and construction, to heating and food, businesses are realising new opportunities for commercial growth. Today I'm joined by Accenture's Toby Siddall and Samantha Barber to explore what this future might look like and how you can take advantage. Welcome back to Tomorrow, Today.

Toby, Samantha, thank you for joining us.

Samantha Barber: Thank you.

Toby Siddall: Thank you.

Oli Barrett: Now Samantha, sustainability is reshaping entire industries. The potential for growth is huge. What is driving this change?

Samantha Barber: What I think is really interesting is, I noticed sitting in the boardroom early on in the pandemic that sustainability suddenly moved centre stage. We've been talking about sustainability for 10-20 years, but in a different way and that's changed.

Oli Barrett: So almost sort of edging to the sides now potentially front and centre. Toby, tell us more about the drivers.

Toby Siddall: So I think Samantha, to your point, it is definitely top of mind and the urgency and the opportunity now is greater than ever.

And also I think after the pandemic and the last few years, the world is a bit more match fit to deal with some of the things we need to. But I think there are sort of three really broad drivers. The first is that we're still heading in the wrong direction on emissions and climate change and actually we need to turn that around. And we've seen an IPCC report earlier this year confirming that. And our own research says, we've got to pick up the pace of reducing emissions twofold by 2030 and then fivefold by 2040.

That's a lot of acceleration that needs to happen. Second is, consumers and investors alike are looking for traceability and transparency on ESG before they decide where to put their money and the regulators are helping them. And then the younger generations will not let this go and will keep that demand up. And in fact, they won't work for businesses that aren't taking it seriously. And finally, we've seen a lot of challenges on supply chains around the world, geopolitics and cost of living. And that may give us the impression that some more fossil fuels need to creep back in to ease the pain, but actually I think it reminds us of resilience and security and the solutions to that are actually sat right at the heart of sustainability.



Oli Barrett: So tell me then Samantha, you sit on boards, you work with a whole range of industries and companies. How do these conversations play out in the boardroom?

Samantha Barber: I think one of the number one things is that boards are looking to see different types of information coming into the boardroom. So a different type of data, different type of evidence, because decision making has got more complex, there's no doubt about that. And when things are complex, what you really need to make sure is that you're getting the right information into the board with the leadership teams in the C-suite to make sure there's clarity around what decisions need to be made, why do they need to be made and how does that really fit in to the ambition that they have for the future going forward?

Oli Barrett: Yeah and that challenge is made more complicated by the fact that it isn't just data within their own organisation, it's far broader. Tell us a bit more about that.

Samantha Barber: Well, I think it's really about the wider ecosystem. So if you are a big company in the supply chain, for example, steel or concrete, really understanding the direction of travel for your clients is really important. Because they will be beginning to push demands down into their supply chain and therefore you need to be able to anticipate that and be able to collaborate with your clients in a way that you didn't before. And so one thing I would really say is, whatever looked great in terms of leadership pre-pandemic needs to change now because actually, the way we're going to be operating as leaders going forward is going to be very different because the circumstances are different.

Oli Barrett: Right so it seems to me Toby, like the very same tools that give you a different type of view of your ecosystem could also surface opportunities, new collaborators. Talk to us a bit about the prize, if you like, because it isn't just about offsetting risks and so on.

Toby Siddall: No I think it's good business, which is to think more sustainability in a structured way, look for those opportunities. And the world and consumers will rewire to be more sustainable. And that actually makes it perhaps the biggest investment opportunity in history. And we believe that capital is going to follow and move to those businesses that are on the right side of the shift, those that are really innovating, driving traceability and transparency, and I think it will penalise those that aren't. And we've looked at eight markets specifically and in these markets, what we see is a huge uplift in potential revenue, but also in market share, something like 25% growth on average by 2030 for those businesses in these sectors which are moving towards sustainable alternatives. And we think that's pretty compelling, actually. It's good business and it pays boards to be aware of it and to be looking for it.

Oli Barrett: So let's explore that a little bit more Samantha, because this is more than business as usual. This is creating new markets, new opportunities. Examples that come to mind?

Samantha Barber: Well I think what's interesting, back to the energy sector, wind turbines and wind farms were innovative 20-25 years ago and what we're going to see is some of those wind turbines will be becoming obsolete. It's anticipated that by 2030, we will be recycling in Europe alone, 5700 wind turbines every year.

Oli Barrett: Oh wow.

Samantha Barber: Now that's quite complex because the blades of wind turbines are actually composite material. Those composite materials need to be broken down. And actually, there's already a market that the composite materials can move into in the automotive sector, in the aerospace industry. But that requires collaboration.



Oli Barrett: Yeah absolutely. And so, in other words, recycling these blades, pushing them into other industries. But the point is, whole new services, products emerge. Toby, feel free to pick a completely different industry because I'm very keen that we shine a sort of broader light on this.

Toby Siddall: I'm going to pick up on a couple of examples. So I'll touch on mobility to begin with because I think what's happening there is interesting. We've got a commitment to stop selling internal combustion engines in the UK, yet today we've got one of the worst networks for EV charging in Europe. Now we're going to see a surge in trying to solve that in infrastructure. But around that infrastructure what's going to happen is we're going to see a new mix of convenience opportunities, a new mix of colocation of businesses. And these things are going to become intertwined in great new opportunities. We're also seeing municipalities and public transport, looking at hydrogen and biofuels opportunities.

In other sectors, we look at home energy and in home energy we're going to see tens of billions unlocked in the UK alone as we try to get some more sustainable heat. And that's not just about installations and energy efficiency, it's also about how our homes are at the centre of networks now that are consuming, that are producing and also sharing in energy networks. So there's some fascinating developments.

Oli Barrett: So Samantha, let's go back into the boardroom because we get the size of the challenge, we get the opportunity, but I want your thoughts on how a board has a better conversation. What sort of new ground rules do you need to put down?

Samantha Barber: One of the key things, you really want to make sure that your board has really framed a future. They've got real clarity as leaders as to what the next 10 to 15 years is going to look like for them.

Then they need to make sure that their board structures, their board composition, the people sitting around the board table are really fit for purpose, that they're there and they're equipped to really bring the scrutiny, the analysis, the diligence that's required.

Now, what's really beginning to happen is the institutional investors are looking far more closely at how boards are governed. How are they governing themselves, how are they leading, not so much what they're doing, they want to understand how is that decision being made. And that changes the dynamic and it changes the leadership as well.

Oli Barrett: So what do you say to the sort of board sceptic who says these conversations are too idealistic? You're talking about problems that can't be solved. I mean, at some point we've got to bring it back to reality.

Samantha Barber: Well, I'm a firm believer that quite often you really need to peer into what looks like the impossible, because by peering into the impossible and really challenging, it brings in a more creative, innovative, dynamic conversation. And that's what's required.

Oli Barrett: Right. So on what's required Toby, the rocket fuel that we need is around collaboration. So how do we fuel that in practise? What has to happen?

Toby Siddall: So I think first of all, boards and businesses need to be thinking about their impact around growth for their shareholders, but also on the local communities, on climate and on nature. And once you truly have sustainability at the top of your agenda, it's actually more about a shared impact than it is about market share. Because the markets are tipping your way and there's a massive reallocation of global capital and funds to do that.



And so there, I think collaboration is really the new Moore's Law to accelerate things. And the final, perhaps most important area is to really understand the ecosystem of partners that you need to make sure success in delivery is achieved.

Oli Barrett: Yeah, I think this is a really good note Samantha. Let's keep going practically.

Samantha Barber: So what I've noticed as well, and this has only happened in the last couple of years, that sustainability when it's embedded in the strategy of the business, you're beginning to see business leaders actually having incentivized in their long term incentive plan with maybe net zero targets, for example, or sustainability goals and ambitions. Where that is actually played out over a long period of time. But it does mean that it underpins again those conversations in the boardroom around performance.

Oli Barrett: Interesting, and are you sort of putting that out there as something which might happen in the future?

Samantha Barber: It's already happening now. So I'm already aware of some boards where the leadership teams are part of their bonus, part of their long term incentive plan, includes some net zero targets.

Oli Barrett: Excellent example. And that is why we talk about tomorrow, today. For now Samantha, Toby, thank you for joining us.

Samantha Barber: Thank you.

Toby Siddall: Thank you.

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