

St. Gallen Business Review

Spring 2019

**“Investing sustainably
is a key part of Lombard
Odier’s history”**

Patrick Odier
Managing Partner
Lombard Odier

**“We’re getting ready
for the digital age”**

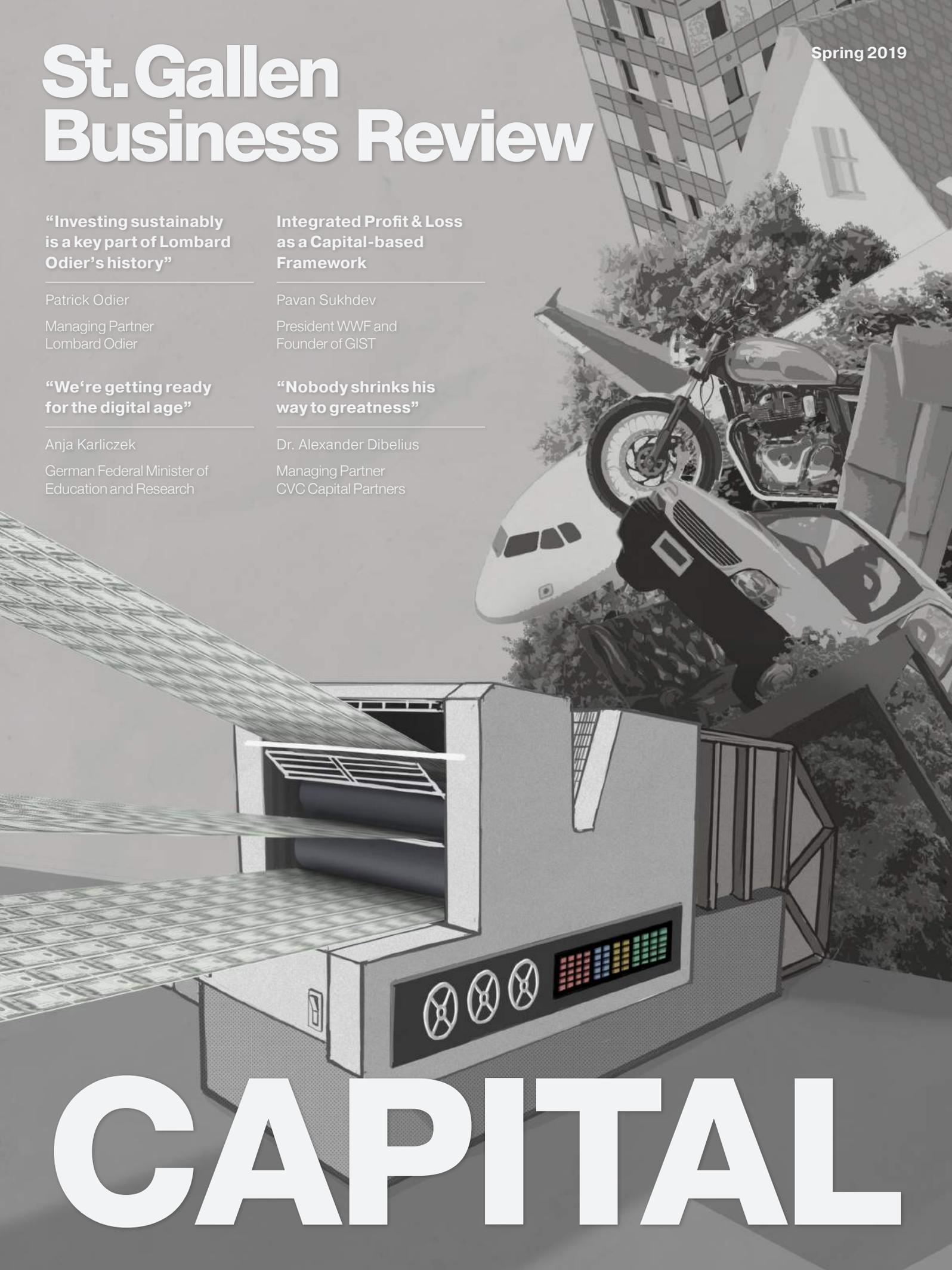
Anja Karliczek
German Federal Minister of
Education and Research

**Integrated Profit & Loss
as a Capital-based
Framework**

Pavan Sukhdev
President WWF and
Founder of GIST

**“Nobody shrinks his
way to greatness”**

Dr. Alexander Dibelius
Managing Partner
CVC Capital Partners



CAPITAL



Going the **extra mile.** For our **clients.** Since **1988.**

ESPRIT St. Gallen - The student consultancy at the HSG.

Since 1988, we have successfully completed over 370 consulting projects with StartUps, SMEs and large corporations. Our tailor-made solutions range from marketing strategies to market and competition analyses as well as innovative recruiting concepts and social media campaigns.

www.espritsg.ch - info@espritsg.ch

Beloved readers,

Capital is a topic that has been in the center of attention since hundreds of years. At least in the past 152 years, since Karl Marx published the first part of Capital: Critique of Political Economy, many people bear a negative association with the word capital. However, it is a topic that affects everybody on a daily basis. According to the Oxford Dictionary, capital means "Wealth in the form of money or other assets owned by a person or organization or available for a purpose such as starting a company or investing." Although capital is often used in this business (i.e. financial) context, we believe that its true meaning is much broader than this and does not necessarily have to be something capitalistic or even evil. The beauty of capital is that it can be anything to anyone. Nevertheless, many understand capital as a purely financial term. Others, however, understand it differently. They understand the environment as a form of capital to humanity, ingredients as a form of capital to an unforgettable dish, and data as a form of capital to enable businesses to streamline processes.

In an attempt to demystify the broad topic "Capital", the articles and interviews in this edition of the St. Gallen Business Review aim to take you on a journey and lead you through this complex landscape of facts and opinions. We ask you to take the time to immerse yourself in this topic and learn from business leaders, futurists, spirituals and artists what capital is to them and what it can be for you. With our selection of distinguished authors reaching from business executives to monks and artists we can provide a comprehensive and multifaceted insight into the most recent and exciting areas of this topic.

Among others, learn from Alexander Dibelius and Urs Wietlisbach how Private Equity creates value for society; let private banker Patrick Odier talk about his stance on sustainability and let him explain why ESG investing is of existential importance to all of us; in this regard, let WWF President Pavan Sukhdev introduce you to a capital-based framework for measuring social value and integrated corporate performance; explore the state of the Swiss financial sector with Mark Branson, Director of FINMA and let Antoinette Hunziker-Ebneter explain, why she cut her own salary substantially when she was named Chair of the Board of Directors of a Swiss bank. Moreover, let German monk Anselm Grün elaborate on the ethical aspects of investing and find out how the bible legitimizes asset management and capital; embark on a culinary journey with world-renowned chef Daniel Humm and find out why quitting school was the best decision he ever made. All that we have in store for you and much more.

As always, much energy and passion have driven the new edition of the St. Gallen Business Review and we hope the given insights will excite and inspire.

Enjoy reading!

Milan Schéda
Editor In Chief



Cédric Abplanalp

Niklas Zeller

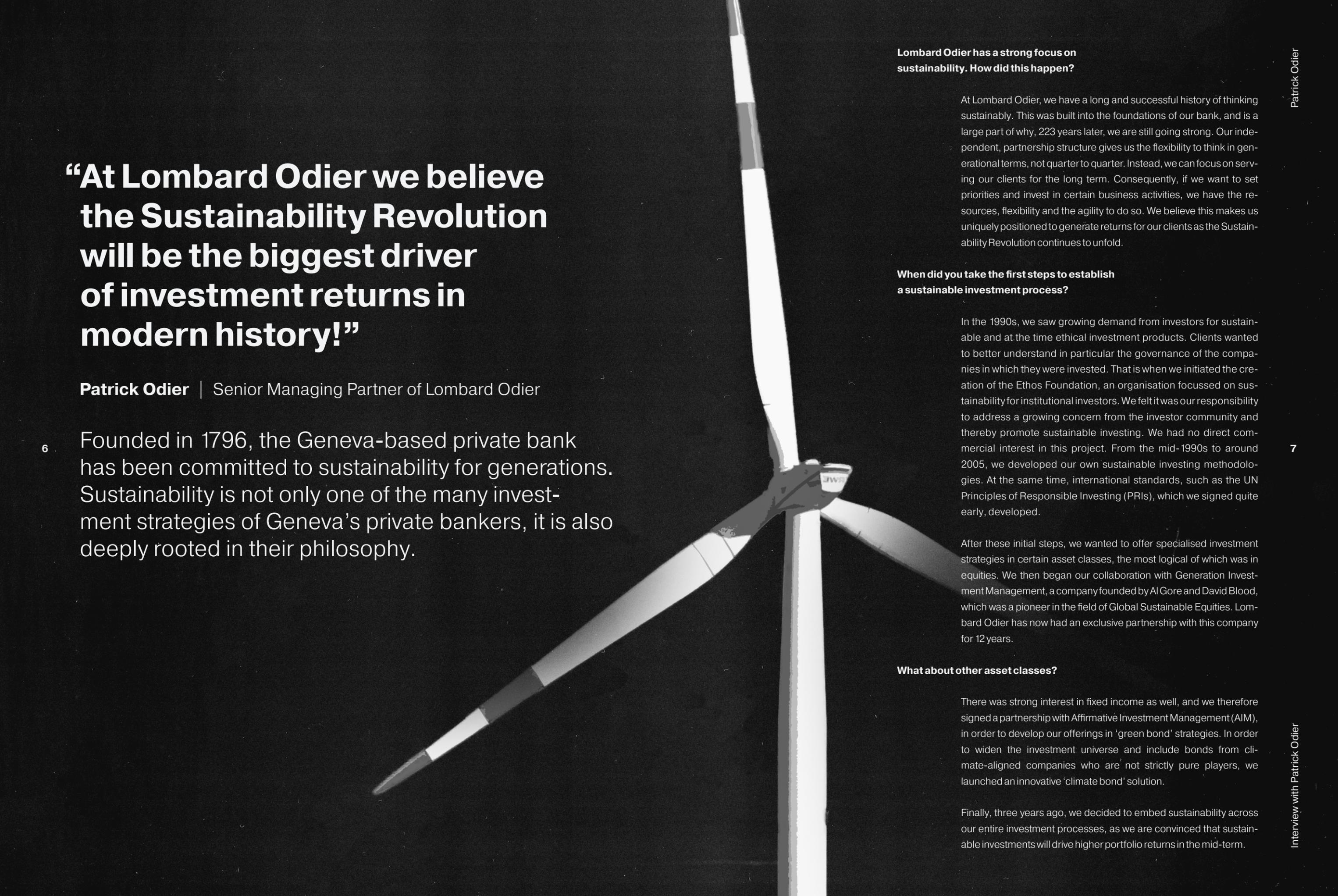
Magdalena Schönherr

Milan Schéda

Lars Decker

6	“Investing sustainably is a key part of Lombard Odier’s history”
	Patrick Odier Senior Managing Partner of Lombard Odier
12	Integrated Profit & Loss as a Capital-based Framework
	Pavan Sukhdev President WWF and Founder of GIST
18	Ethical Investments
	Anselm Grün Monk and best-selling author
22	Data is the new snake oil
	Shyam Sankar President, Palantir Technologies
26	“We’re getting ready for the digital age”
	Anja Karlizcek German Federal Minister of Education and Research
30	“Apple sells Coca-Cola, we sell Château Lafite!”
	Georges Kern CEO Breitling
36	“Nobody shrinks his way to greatness!”
	Dr. Alexander Dibelius Managing Partner CVC Capital Partners
40	Capital for Purpose at the 49th St. Gallen Symposium
	Lena Kesseli Media Relations St. Gallen Symposium
44	Capital for Purpose – But What Kind of Capital?
	Martin Vogl Chairman of the Board of Directors of Swiss InsurEvolution Partners Holding AG
48	“The key principle behind our success is paranoia”
	Urs Wietlisbach Co-founder of Partners Group

Investing in the future of our networks	53
	Urs Schaeppi CEO Swisscom AG
Swiss financial centre must become more climate-friendly	56
	Susanne Hochuli Chairman of the Board of Trustees of Greenpeace Switzerland
“As a cook my craftsmanship is my capital!”	60
	Daniel Humm Chef/Co-owner of Eleven Madison Park New York City
The Mona Lisa is not a great artwork	66
	Prof. Dr. Magnus Resch Founder of the Magnus app
The Future of Healthcare	70
	Maneesh Juneja Digital Health Futurist
Founding a business in Switzerland	76
	Andri Silberschmidt President of Jungfreisinnigen Schweiz
“The financial sector in Switzerland is healthy and well capitalised”	79
	Mark Branson CEO of the FINMA
“We are top of wood!”	84
	Bruno Abplanalp Chairman of the Board neue Holzbau AG
“Ultimately, the aim is to develop a corporate culture in which employees are intrinsically motivated”	87
	Antoinette Hunziker-Ebnetter CEO and founding partner of Forma Futura Invest AG



“At Lombard Odier we believe the Sustainability Revolution will be the biggest driver of investment returns in modern history!”

Patrick Odier | Senior Managing Partner of Lombard Odier

6 Founded in 1796, the Geneva-based private bank has been committed to sustainability for generations. Sustainability is not only one of the many investment strategies of Geneva’s private bankers, it is also deeply rooted in their philosophy.

Lombard Odier has a strong focus on sustainability. How did this happen?

At Lombard Odier, we have a long and successful history of thinking sustainably. This was built into the foundations of our bank, and is a large part of why, 223 years later, we are still going strong. Our independent, partnership structure gives us the flexibility to think in generational terms, not quarter to quarter. Instead, we can focus on serving our clients for the long term. Consequently, if we want to set priorities and invest in certain business activities, we have the resources, flexibility and the agility to do so. We believe this makes us uniquely positioned to generate returns for our clients as the Sustainability Revolution continues to unfold.

When did you take the first steps to establish a sustainable investment process?

In the 1990s, we saw growing demand from investors for sustainable and at the time ethical investment products. Clients wanted to better understand in particular the governance of the companies in which they were invested. That is when we initiated the creation of the Ethos Foundation, an organisation focussed on sustainability for institutional investors. We felt it was our responsibility to address a growing concern from the investor community and thereby promote sustainable investing. We had no direct commercial interest in this project. From the mid-1990s to around 2005, we developed our own sustainable investing methodologies. At the same time, international standards, such as the UN Principles of Responsible Investing (PRIs), which we signed quite early, developed.

After these initial steps, we wanted to offer specialised investment strategies in certain asset classes, the most logical of which was in equities. We then began our collaboration with Generation Investment Management, a company founded by Al Gore and David Blood, which was a pioneer in the field of Global Sustainable Equities. Lombard Odier has now had an exclusive partnership with this company for 12 years.

What about other asset classes?

There was strong interest in fixed income as well, and we therefore signed a partnership with Affirmative Investment Management (AIM), in order to develop our offerings in ‘green bond’ strategies. In order to widen the investment universe and include bonds from climate-aligned companies who are not strictly pure players, we launched an innovative ‘climate bond’ solution.

Finally, three years ago, we decided to embed sustainability across our entire investment processes, as we are convinced that sustainable investments will drive higher portfolio returns in the mid-term.

At Lombard Odier, we aim to make no distinction between portfolios that are sustainable and those that are not. Sustainable investing is not a matter of product; it is a matter of investment philosophy. Acting as fiduciary for our clients' wealth, we are convinced that sustainability will be the best source of future returns for all investment portfolios, and therefore investing along these lines will be in their best interest.

What does your sustainable investment approach look like today?

When it comes to integrating sustainability into portfolios today, we take a three-pillar approach. We believe these pillars are interlinked and interdependent – take one away, and the whole system is much more vulnerable. Our first pillar assesses the sustainability of the financial model. Can a company continue to generate excess economic returns? Is it likely to maintain its credit quality and solvency?

The second pillar looks at the sustainability of their business practices. How well is the company run in the context of its broader ecosystem of stakeholders? This is where environmental, social and governance (ESG) criteria is employed. In this respect availability and quality of data is of the essence. The more non-financial data, and the more robust it is, the easier it becomes to root out biases in the system, and get a true understanding of whether companies are genuinely transitioning to more sustainable business practices.

But sustainability goes beyond just ESG. This is why our third pillar looks at the sustainability of companies' business models. As our economies continue to transform, how are the different sectors likely to benefit? How do they need to change? Can coal continue to compete in a world where the cost of renewables is rapidly decreasing? How big is the stranded asset risk incurred by the company? What are the energy sources of the future?

Given the scale and pace of the Sustainability Revolution, we are constantly reviewing and improving our processes in order to identify the business models best-placed to benefit as our economies continue to transform.

How do you see Switzerland in terms of sustainability? Are we on the right track?

We naturally want to contribute to Switzerland and its financial industry being able to assert themselves, and take the lead in anticipating future sustainability developments. I believe this is currently the case. In Switzerland, we are privileged to have a strong and well-qualified talent base as well as easy access to capital. Combining and leveraging these in the context of sustainability will ensure there is an additional return opportunity. Switzerland, as an export-oriented economy, can benefit and enhance its global competitiveness by balancing public policies with business practices concerning sustainability. Therefore, both micro- and macroeconomic initiatives are essential.

In which areas would Lombard Odier not invest because it would violate the principles of the bank?

Exclusion policies by institutional investors, especially in North America, were a key first step in the evolution of sustainable investing. In our view, a more holistically sustainable approach contributes much better to the risk profile of the portfolio. However, at Lombard Odier, we also have group-wide exclusions on unconventional weapons and essential food commodities. This is due to considerations of business ethics.

While exclusions are a very efficient way of expressing an investor's values, they do not necessarily support and drive change within a sector. For us, the three-pillar approach discussed earlier should bring better results.

Lombard Odier was founded in 1796 – how do you ensure that it thrives in the next one hundred years?

Well, we want to retain our independent ownership model, which helps us avoid some of the conflicts of interest in the financial world today. We do this by concentrating on one business only – wealth management.

We do not cross-subsidise from one business to another. We avoid taking decisions as a firm that are not in the direct interest of the clients. We behave as responsible entrepreneurs, aligning their interests with ours with a long-term view.

Additionally, we want our top management and experts to serve clients personally. By doing so, we ensure that our weekly Managing Partner meetings allocate priority time to client's experience and needs.

How can Lombard Odier implement the 'white money' strategy and ensure that the bank knows its customers and that their money is properly taxed?

In the past decade, there has been a change from one world to another. Personally, I was convinced very early on that the paradigm change of fiscal transparency had to be carried out. Lombard Odier benefitted from an advantage during this period of change, as we were not dependent on a specific type of clientele.

Our business model was, and still is, focused on providing investment expertise and holistic advice, while we were able to diversify across business lines and geographies early in our history. Lombard Odier enjoys a broadly diversified clientele of entrepreneurs, families, institutional and technology clients across Switzerland, Europe and the rest of the world.

Together with the Financial Times you have produced a video series called "FT Rethink", where you discuss topics like "Micro Homes", "Recycling" and "Deep Sea Mining". What does Lombard Odier hope to get out of this?

We want to ensure that there are insightful contributions being made to sustainability issues. We do not see ourselves as specialists in all of these areas. However, we would like to find experts who can explain the ideas on these topics. By sharing these faster, changes should

be possible, including in the way we invest. We have consciously made our commitment to sustainability public, in order to encourage the financial industry to join us on this journey.

You mentioned earlier that sustainable investment has been very attractive in recent years. Why don't all companies do this, in your view?

Firstly, demand for sustainable investing is not yet properly aligned worldwide. Some financial institutions may be active in areas where demand has already developed; others operate in markets where this is not yet the case.

Secondly, not all players were able to develop the appropriate expertise in this area. It requires substantial investment, and much more than this – a fundamental change in mind-set. Also, I believe science, politics, industry and the financial world must all work together in order to achieve results. This is not yet the case.

This being said, in Switzerland, a number of leading financial institutions are taking the lead in this area – and we are proud that Lombard Odier is one of them. We recently received the B Corp certification, which demonstrates our leadership and commitment to sustainability among global wealth managers.

Would regulation in this field accelerate the transition to a more sustainable economy?

Regulations in this area should be balanced and therefore create positive incentives. This takes time, experience, and substantial resources.

Personally, I think there will be increased regulation in this field. What is important, in my view, is that the industry leads the agenda, to avoid regulations that do not reflect the realities of our industry. At Lombard Odier, we are fully committed to contributing to the regulatory decision process in sustainability.

What are your personal expectations of university graduates who start work at Lombard Odier?

Investing in talent is extremely important to us, and the good news is that we have attracted a record amount of top talent to Lombard Odier since we made our commitment to sustainability public.

Both analytical skills as well as conviction are needed. The young generation has embraced issues around sustainability much earlier, and this is an advantage. We also want people who have investment experience and who can bring us new methodologies and tools. Data management expertise is becoming increasingly important.

Sustainable investing also means having answers to the qualitative and not just quantitative aspects to a company or issuer. A critical mind as well as strong judgemental capability are highly desirable qualities.

Therefore, we look to complement legal, economic, technological or quantitative backgrounds with competencies in history or philosophy. These skills can bring valuable perspectives on how companies will adapt, where and how consumer demand will emerge and how sustainability will be communicated. The right blend of personality, mind-set and experience is more important than holding a specific degree. We want to integrate the "managers of tomorrow" into Lombard Odier as quickly as possible.



Patrick Odier

Patrick Odier has been Chairman of the Board of Directors of Bank Lombard Odier & Co Ltd. since January 1st, 2014, and he has been Senior Managing Partner of the Lombard Odier Group since July 1st, 2008.

Patrick Odier joined the Lombard Odier Group in 1982 and completed his training in Zurich, New York, and Montreal, before becoming a Managing Partner in 1986. He holds an economics degree from the University of Geneva and an MBA in finance from the University of Chicago.

Patrick Odier was Chairman of the Swiss Bankers Association from September 2009 to September 2016. He is Member of the Board Group economiesuisse (Swiss Business Federation). He is also a board member of several Swiss and international academic institutions and philanthropic organisations.

Integrated Profit & Loss as a Capital-based Framework for Measuring Social Value and Integrated Corporate Performance

Pavan Sukhdev | President WWF and Founder of GIST

12

Pavan Sukhdev describes how important sustainability in the sector economy is and how sustainability can be achieved. In particular, he explores on the term natural capital.

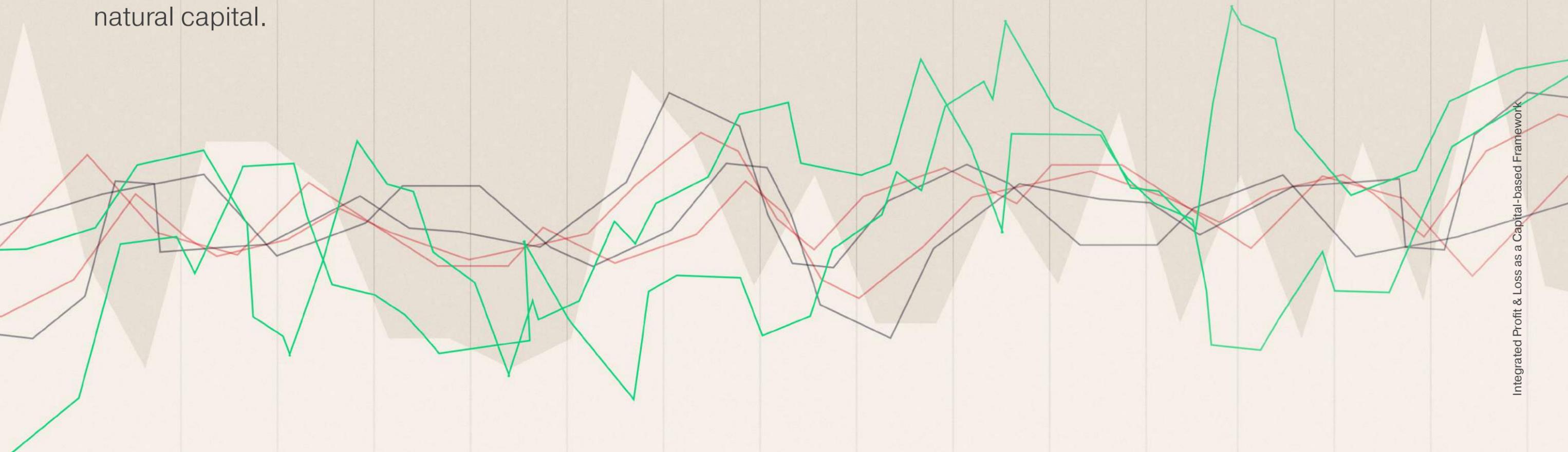
The term “capital” is an economic metaphor for “a thing of value”. It implies the existence of stocks of assets which have value and will, if used appropriately, generate or secure flows of benefits, such as income. The most popular economic definition of “income” was by Hicks (1946), who equated an individual’s ‘income’ in any given period to the amount of expenditure in that period which still left the individual’s capital intact. A sense of ‘sustainability’ is captured here, as only sustainable spending (i.e. spending which leaves capital intact) is a measure of income.

Unfortunately, we live in a world in which many forms of capital face risks of depletion. Natural capital is at risk from numerous directions as ‘Planetary Boundaries’ are rapidly approached and even breached, social capital is being battered by increasing intolerance and polarization abetted by irresponsible politics, and human health, the mainstay of human capital, is increasingly damaged by pollution and indeed by our diets, which, delivered through an unsustainable food system, have become the main risk factor driving the global burden of disease.

We are also aware that these impacts on all these forms of capital are being driven by the economy’s main agent – the private sector - which accounts for two-thirds of global output and jobs. Despite that, today’s corporation is required by statute to quantify and report only its impacts on sharehold-

er financial capital, and not its impacts or dependencies on any other forms of capital (human, natural, etc) belonging to various sections of society including important stakeholders such as employees, customers, suppliers, regulators, governments, citizens, the youth, etc. This makes very little sense from any perspective, be it that of transparency, or justice, or sustainability. We cannot manage what we do not measure, and without measuring sustainable corporate performance – i.e. performance that integrates natural, human and social capital externalities – how are we to succeed in achieving private sector sustainability? And if corporations are not sustainable, then how can the economy, of which they are the dominant part, ever become sustainable?

“Integrated Profit and Loss Reporting” or <IP&L> evolved as a corporate initiative in sustainability leadership, in response to the publication of the <IR> or Integrated Reporting Framework of the IIRC and the need to devise and use a wider-lens, ‘stakeholder’ view of corporate performance. This approach has been used (and in some instances, published) by many sustainability leaders around the world, such as Akzonobel (a European chemicals giant, in 2014), Amata (a forestry company in Brazil, in 2015), Yarra Valley Water (Melbourne’s water utility, in 2016), Sveaskog (Sweden’s largest forestry company, in 2018) and others. It is an approach and framework which draws from the Integrated Reporting Framework (“<IR>”, 2013) of the International



Integrated Reporting Council (“IIRC”) and incorporates lessons for discovering & measuring natural capital impacts and dependencies from the Natural Capital Protocol (2016), a universal process guideline and framework prepared by the “Natural Capital Coalition” (‘Coalition’). The Natural Capital Coalition has grown from its origins as the “TEEB for Business Coalition” (2012) into a wide-ranging community of practice which targets a deeper understanding of corporate impacts and dependencies on natural capital. The consensus built by the Coalition has helped to support, replicate, and scale ‘best-of-breed’ work done by corporate leaders in sustainable business practice.

The four dimensions of the wealth (‘capital’) of third-parties (who could be individuals, or communities, or the public at large) most impacted by businesses are summarized in the table (below), with a few examples given of each asset class and type of ownership.

Ownership Categories	Capital Classes	Produced Capital	Human Capital	Natural Capital	Social Capital
Private Ownership: (‘Private Goods’)		<ul style="list-style-type: none"> Factories Securities Software Patents 	<ul style="list-style-type: none"> Health Education Job Skills 	<ul style="list-style-type: none"> Mines Fields Private Forests 	
Community Ownership: (‘Club Goods’)		<ul style="list-style-type: none"> Market design, regulations, rules, etiquette Civil & Criminal Laws; Judicial systems 			Social Capital
		<ul style="list-style-type: none"> Community Centres Community Schools 	<ul style="list-style-type: none"> Traditional Community Knowledge 	<ul style="list-style-type: none"> Community Forests Grazing Commons 	Social Capital
		<ul style="list-style-type: none"> Community rules, norms, customs, culture 			Social Capital
Public Ownership: (‘Public Goods’)		<ul style="list-style-type: none"> Roads Bridges Public Hospitals 	<ul style="list-style-type: none"> Public Databases Non-patent Knowledge 	<ul style="list-style-type: none"> High Seas Fisheries National Parks/ Forests 	Social Capital
		<ul style="list-style-type: none"> Constitutions; Judiciaries; Law & order; Tax systems Social equity; Communal harmony; Cultural diversity 			Social Capital

Table : Capital Classes & Ownership Categories: Examples from a Business Context

The above framework at the micro-economic level uses only four forms of capital. This is consistent with mainstream literature in environmental economics as well as the ‘inclusive wealth’ approach adopted by United Nations University and UN Environment in their Inclusive Wealth Report, which presents such capital analysis at a macro-economic level. In that report’s foreword, Prof. Partha Dasgupta explains the four forms of capital thus;

“Inclusive wealth is the social value of an economy’s capital assets. The assets comprise (i) manufactured capital (roads, buildings, machines, and equipment), (ii) human capital (skills, education, health), and (iii) natural capital (sub-soil resources, ecosystems, the atmosphere).

Such other durable assets as knowledge, institutions, culture, religion – more broadly, social capital – were taken to be enabling assets; that is, assets that enable the produc-

tion and allocation of assets in categories (i)-(iii). The effectiveness of enabling assets in a country gets reflected in the shadow prices of assets in categories (i)-(iii)”

Is “Intellectual Capital” a Separate Class of Capital?

Some literature (including the <IR> guidelines of IIRC) also recognizes a fifth class of capital, viz, “Intellectual Capital”. However, we live in an age dominated by technology and information, therefore intellectual capital is ubiquitous, and in fact is usually found embedded in other forms of capital. It could either be embedded in privately owned produced capital (eg: in the form of Intellectual Property (“IP”) such as patents, copyrights, trademarks, brands, etc, and incorporated into numerous consumer goods) or community owned human capital (eg: traditional knowledge of tribal communities about their local herbal remedies) or human capital in the public domain (eg: wikipedia, non-copyrighted knowledge and technology). In all these cases, it is found that ‘intellectual capital’ is in fact embedded into assets which are part of one of the four classes of capital (usually produced or human capital) held in some category of ownership (private, community, public) and thus it is not necessary to create a separate “capital class” to capture “intellectual capital”.

The usual rationale presented for separating out “intellectual capital” as a separate class is that companies market values far exceed their book values, and that the difference is because of “intangible assets”. This logic is erroneous, for a couple of reasons. Firstly, with the advent of technology companies, several large ‘tech stocks’ trade at very high multiples of earnings (eg: Google, Facebook, etc), but this represents the expected present value of market estimates of their growth in earnings thanks to their intellectual property, business strategies, etc. Secondly, some of the book value of patents and licences that are considered “intangible assets” is lower than their market value simply because of conservative or missing IP valuations in the books of accounts.

What do Ownership Categories tell us about the Ethics of Offsets?

In the table above, community-owned wealth is referred to as “club goods”, and it should be noted that the “communities” we refer to may be as varied as tribal villages, city precincts, or country golf clubs: the key point here is that they exercise shared ownership rights and the ability to exclude others from accessing or benefiting from their club goods. This is not the case for public goods, which by definition are non-excludable and non-rival, in other words, no one can

be prevented from using them and use by one party does not prevent use by another. Whilst capital classes are widely considered by corporate managers when evaluating externalities and designing mitigation strategies, more attention needs to be paid to ownership categories.

When evaluating impacts and considering offset strategies, companies would be well advised to ask “whose capital is it anyway?”. Merely attempting to create (for example) natural capital value for one group of stakeholders (eg: general public in the prosperous north) when the actual corporate externality affects quite a different group of stakeholders (eg: access to unpolluted natural resources for a poor rural community in the south) could be at best contentious as an ‘offset’ strategy, and at worst morally offensive. Thus, a Canadian mining company afforesting empty land near its head office in Toronto would not have an ethical case for calling that a “natural capital offset” for its pollution damage to river waters and soils caused by its mining operations in distant Ecuador, because the costs are being inflicted on the health and incomes of poor village communities in Ecuador, whereas the benefits are accruing to the prosperous citizens of Toronto in terms of a better quality of urban life.

To avoid ethical pitfalls and reputational risks from formulating offset strategies that are either ethically or scientifically questionable, careful consideration needs to be paid to both the capital class and the ownership category of affected third-parties.

1. Proposed Capital-Based Valuation Framework for Business Externalities

Business externalities can result in positive or negative impacts on third-parties. These impacts can be observed as third-party changes in one of four categories of capital (natural, physical, human, social) belonging to one of three classes of ownership (i.e. private ownership – such as job skills and health; community ownership – such as village schools, community groves, neighborhood security systems, etc; or public ownership – such as climate stability, national parks, law & order, etc.). Materiality (i.e. economic or social size and significance) is the main reason for including a particular impact, but materiality of particular drivers and impacts differs significantly from sector to sector.

1.1 What to Value: Valuation of externalities is about measuring the economic value of changes in any of the four kinds of capital belonging to any of the three categories of third-parties as a result of the activities of a business. Valuation must focus on material exter-

nalities, determined as material in social and economic terms for the owners of the capital category being impacted. Furthermore, where a business undertakes activity to “offset” its negative externalities, the impacts of such “offsets” must also be valued and set off against the externality.

1.2 Why to Value: Valuation informs and improves business decision-making along the value-chains that generate externalities, by assisting business managers in designing appropriate responses. It enables business responses to their externalities to be prioritized, appropriate, effective and efficient in reducing or offsetting negative externalities and increasing positive externalities. Valuation similarly also informs a range of stakeholders, from investors to civil society, supporting their interests to seek such business responses, to reduce risk to the business in the long term, and reduce negative impacts to society in the short and long term.

It is important for business sectors, by a process of examination and elimination, to determine which third-party impacts deserve their closer attention, measurement, disclosure and management on the basis of materiality.

In evaluating third-party impacts across these classes of capital and categories of ownership, we find that there are eleven major drivers of externalities arising from typical business activities, which most commonly generate the most significant third-party impacts.

Of these eleven drivers, six of them are “environmental drivers” (viz, GHG emissions; freshwater extraction; waste generation; land-use change; air pollution; land & sea pollution). These six environmental drivers were first proposed by Trucost plc & PwC in their advisory work, and formed the basis of their “EP&L” (Environmental Profit & Loss) calculation for Puma, in an externality statement published by the company in May 2011. It should be noted that the actual ‘impacts’ referred to in “EP&L” are not only natural capital externalities- there are also human capital externalities (eg: health impacts of pollution and waste).

Two corporate drivers in the space of employee human capital are employee training programs and employee health and safety (EHS) standards which, if managed well and to scale, can lead to large positive human capital externalities (see example in Chapter 5, “Corporation 2020”, describing the work of GIST Advisory to estimate the human capital externalities of Infosys).

Three corporate drivers that create potentially large social capital externalities - positive and negative – such as impacts on institutional and social architecture, employment opportunity, social inclusion, etc - are primarily due to CSR programs, business models, and company policies. (see Natura example in Chapter 5, “Corporation 2020” for an example of a business model that generates positive social capital externalities.) It should be noted that companies do account for (‘internalize’) the costs of CSR programs, but there is no compulsion to measure or report the positive externalities or benefits – positive impacts on third-party social, human, or natural capital – precisely because these are ‘externalities’. Sometimes, CSR program benefits may be targeted as ‘offsets’ to

known negative externalities, which is why measuring and reporting the one ought to be accompanied by measuring and reporting the other.

It should also be noted that the eleven drivers are selected based on the area of business activity that generates them and the materiality of impacts they create, rather than their easy fit into the three categories of ownership and four categories of capital.

Classification ambiguities might arise due to confusions between what is a driver, outcome, or impact, and such ambiguities should be addressed consciously, with context and assumptions disclosed. For example, “waste generation” is an

environmental driver, even though its real impact is on human health, i.e. human capital. Furthermore, within the environmental driver category, the waste management process might be such (eg: incinerating plastic waste) that the driver could be classified either as “waste generation” or as “air pollution”, so a decision needs to be made - a ‘framework’ choice as it were - on a standard classification so that comparability and consistency across industries and companies is ensured.

A further point to note is that, in general, a company’s societal impacts and externalities can either be classified “by business driver” or “by impacted capital”. The former approach is usually more useful for business management,

enabling response strategies to be formulated by the business unit driving the impact. The latter is more useful for impact analysis at the level of the company, industry or sector, providing high-level perspectives for regulators and policy makers as well as industry benchmarks for analysts and investors.

An agreed universal valuation framework such as we have described here would ensure that one approach is followed by everyone, allowing results to be compared across business sectors, and within business sectors across corporations. This is a common ask from analysts, investors, Civil Society Organizations, company regulators and from corporate management themselves.



Pavan Sukhdev

Pavan Sukhdev is the founder & chair of GIST, an NGO that specialises in research into major economic externalities arising from natural capital and human capital. He was the Special Adviser and Head of UNEP’s Green Economy Initiative and was also the Study Leader for the ground breaking TEEB (The Economics of Ecosystems and Biodiversity) study commissioned by G8+5 and hosted by UNEP. In 2017 he has been named as the new President of WWF International’s Board.

Ethical Investments

Anselm Grün | Monk and best-selling author

In this article, monk and best-selling author Dr. Anselm Grün gives a spiritual and ethical perspective on capital, how he makes his investment decisions and why responsible entrepreneurship is crucial for long time success.

The word capital has a negative connotation for many. Those who have a lot of capital are often labelled as capitalists. But capital itself is free of value. Fortune is not a bad thing. It can only spoil your character if you're greedy for more and more wealth. Capital also has the meaning of the words "benefit and profit". Capital can benefit many people, not only those who own it, but also those for whom it is used. Capital investments serve not only the owner, not only the capital investors, but always also the one for whom it is invested.

In recent years, under pressure from many who wanted to use their capital for good causes, banks have continued to develop ethical investments. There are ethical equity funds. There are ethical research firms that check the shares of companies to see whether they comply with ethical criteria.

In my contribution I would like to discuss the sense of ethical investments, but also the ethical prerequisites for investing money. And finally, I want to take a look at the Bible to see what it has to say to us about investing money.

1. Ethical requirements for investing money

For 36 years I was Cellerar (= economic director) of the Abbey Münsterschwarzach with 90 monks and 300 employees. The monastery must finance itself. That's how I invested the monastery's money as Cellerar. Four aspects were important for me:

First, money serves the people. I don't invest money to get rich, but to serve people. In our monastery the money was used to maintain a school and not always to focus on saving

money in education. In addition, it was used to support our missionary work in Africa, Latin America and Asia.

Secondly, it takes creativity to invest money. Creativity means for me to use the most different possibilities and constructions to invest money, which there are today. For me, creativity is the solution for complaining that the money is not enough. If the money's not enough, I'll have to exert my head. The Catholic theologian Karl Rahner once said: "Laziness of thought is not a gift of the Holy Spirit. Many prefer to remain in the role of victims, that they have too little money instead of thinking creatively about how to deal with money."

Thirdly, I must be aware of two attitudes when investing money: greed and fear. For those who are greedy, investing money becomes an addiction, and they won't succeed. They will constantly exceed their limits and then ultimately fail because they try to fill their inner void with their greed. But this inner emptiness is a bottomless pit. The greedy one will never be satisfied. On the other side, fear does not help when investing money either. Anyone who is only afraid of losing should refrain from investing money. If you can't lose, you can't win.

Fourth, when I invest money, I need inner freedom. I cannot constantly concentrate on how the price is changing. Some people can't sleep at night because they're constantly thinking about their portfolio. It's imperative to have inner freedom so that one doesn't define himself based on how much money he makes. I invest but I don't circle around my investment all the time. That is why I need a spiritual basis for my invest-

ments. And this spiritual foundation is inner freedom. I define myself based on God and not based on people, neither based on money nor based on recognition by people.

2. The meaning of ethical investments

Some people don't think investing ethically would bring a return. However, there are enough studies that show that ethical investments are more successful in the long run than investments that are only based on short-term profits. After all, companies that focus on values are more successful in the long run than those that focus solely on figures. Values make the company valuable. In companies that disregard values, there is a climate of contempt for people. Values protect human dignity. Where dignity is disregarded, people will not enjoy working. And young people today do not choose the companies where they earn the most money, but where they perceive a good culture. And this culture also includes the appreciation of human beings.

Ethical investments have a lasting effect on the culture of companies because ethical research companies force the companies to disclose their values. If companies fall out of the ethical grid, less and less will buy their shares in the long run. Thus, ethical capital investments are a challenge for companies to consider ethical standards in their work and atmosphere. That is how ethical investments can create a movement in society.

Ethical investments serve the investor. Although they do not promise him the highest returns, they do promise him reasonable ones in the long run. And they soothe his conscience. They feel like they can do something for society. They don't have to apologize for owning financial assets. They are on good terms with their property. And the ethical investments serve the companies whose shares or bonds are bought. They support companies that make every effort to implement ethical values.

3. Biblical aspects of investing money

The parable of the talents is famous. A man who travels confides his fortune to his servants. To one he gives five talents of silver money, to another two and to the third only one. One talent is about 60,000 euros. The first two servants manage the fortune and double it. The third, however, is afraid of making a mistake and losing money. That's why he buries it. I'm sure he's doing it in good faith. But there are two attitudes that are then castigated in the parable: fear and aiming to have everything under control. There is a principle: If you want to control everything, everything gets out of control. The Lord calls the third servant a bad and lazy servant because he has done nothing. And he accuses him: "If you had at least put my mon-

ey in the bank, I would have gotten it back with interest upon returning." (Mt 25,27) Jesus therefore reckons that the money can be invested in interest and that this is all right. The Jews were forbidden to pay interest. However, this ban on interest only applies within Judaism. You can certainly demand interest from others. Of course, in this parable Jesus is not much aiming at investing money. Rather, he is concerned that we live out of trust and not fear, and that we dare to live instead of missing life because of nothing but security.

The evangelist who is most concerned with the handling of money and capital is Luke. He was Greek and writes his gospel to the Greek middle class, to the big landowners, to the traders and craftsmen. He does not demand that these people give up their profession and live in poverty. But Jesus, in the Gospel of Luke, always invites people to share their wealth. Those who have money should therefore show solidarity with those who have none. And men shall beware of greed. He shows this with the example of a rich man who has a rich harvest. He's thinking about tearing down his barns and rebuilding them. "Then I can say to myself: Now I have a large supply that will last for many years. Rest, eat and drink, and rejoice in life!" (Luke 12:19) But God says to him, "You fool! That night your life will be reclaimed from you." (Luke 12:20) Who possesses money should become aware of his own mortality. We should live in the moment and live as it corresponds to our being as humans, whose life is limited.

Another passage says something about the managing of money. Jesus says: "If you have not been reliable in dealing with unjust wealth, who will entrust you with the true good? And if you have not been reliable in your dealings with the goods of others, who will give you your (true) property?" (Lk 16:11f) Jesus says in these words that our spirituality is expressed in our reliable handling of money. But he also says that wealth is ultimately a foreign asset entrusted to us. And it's always unjust wealth for him, too. We don't deserve money because we're good people. It often fell to us because our parents were rich. Nevertheless, we should deal with it reliably. Then God will give us our true good and our true property. The true good is the inner wealth of our soul. And the true property is that we find our true self, the unique image that God has made of us. The words of Jesus show that it is a spiritual task to handle capital well.

Closing

In the 36 years that I have invested money, it has always been a spiritual challenge for me on the one hand to deal creatively with money and to multiply it, and on the other hand to remain free from greed and fear and free from the money I deal with.



Anselm Grün

Anselm Grün was born in Junkershausen, Franconia, on 14 January 1945 and grew up in Munich.

At the age of 19 he entered the Benedictine Abbey Münsterschwarzach near Würzburg after graduating from high school. There he got to know the art of leading people from the rule of Benedict of Nursia and rediscovered the tradition of the old monk fathers in the 70s, whose importance he sees especially in connection with modern psychology.

From 1977 to 2013, after studying philosophy, theology and business administration, he was the Cellarer (i.e. the economic director) of Münsterschwarzach Abbey, responsible for around 300 employees in over 20 companies.

In numerous courses and lectures he tries to respond to the needs and questions of the people. Thus he has become the spiritual advisor and spiritual companion of many managers.

With around 300 currently available works, which have been sold worldwide in a total circulation of over 14 million books, he has reached a large number of readers.

Data is the new snake oil

Shyam Sankar | President, Palantir Technologies

Data is often peddled as the new oil, an enormous untapped asset with the power to transform the world. Like oil, data has spawned a lucrative industry of Silicon Valley giants like Google and Netflix, whose success is seemingly predicated on collecting, generating and weaponizing data.

22

But too often, data is hawked like snake oil. Software companies peddle data as the panacea to all problems, promising the only way to survive in the digital age is to buy tools for collecting data, then buy more tools for using it. The reality is that most of these tools don't deliver value in large, complex enterprises. Across sectors, organizations are struggling to realize the potential of their data warehouses, predictive analytics, machine learning, and other tools.

As President of Palantir, a technology company that builds software for institutions with complex data environments, I'm no stranger to the snake-oil promise of big data. I've watched some of the world's most preeminent institutions distracted by the battles of digital transformation, only to lose the war against upstart competitors. I've seen transformation projects that took years to yield results, if they did at all.

Done poorly, digital transformation is an exercise in buying tools and services. Done well, it's a means of leveraging your unique strengths to evolve your business. I hope to help you invest your time and money more wisely by sharing two of Palantir's guiding principles for effective transformation: solve the right problem, and follow the right path.

Solve the right problem

What does it mean to solve the wrong problem? Let's look deeper into Google and Netflix. Lots of vendors are pitching AI as the way to replicate their success in your organization. But Google and Netflix make money on predictions. Their core businesses are driven by a single model: predicting what you want to click on next. They make one decision, over and over, and they dominate because they record each outcome with great precision. The first result on a Google search, or the first show that pops up on your Netflix homepage, is their best guess for what you want to see. If you click on the third result instead, they learn from that, and the next time you might click on the second result, and so on.

It's easy to take Google and Netflix's example as signal to invest in prediction. But for most companies, prediction doesn't solve the fundamental business problems at play, and what works for Google and Netflix won't necessarily work for an automotive company or a freight operator (or an industrial manufacturer, or a naval force, and so on).

Freight rail operators can predict which wheel is likely to break, and subscription businesses can predict which customers are likely to churn. But what about maintaining a fleet so it stays on the rails, or creating a product that customers want to keep paying for? Prediction might help optimize one slice of the piece — say, keeping one wheel in motion, or keeping one customer on the books. But investing in decisions will help optimize the whole business model.

Consider the subscription business. The business can build a machine learning algorithm that tells us which customers are likely to churn, but at that point, it's too late to make a real difference. If the company can predict it, it's because the customer is already dissatisfied, which they've indicated by consuming less content or turning off auto-renew. The business could save them, at least temporarily, with a costly last-minute intervention. But what if they used data to improve their offerings so they don't want to leave in the first place? (Netflix doesn't use algorithms to decide what original content to invest in...)

Or consider predictive maintenance, the holy grail for manufacturers and operators of complex machinery. A freight operator can predict which wheel on which train in its railroad network is likely to break, but intervention is expensive and impact is minimal. What if the operator focused on using their data to improve how wheels are ordered, installed and operated instead?

Ultimately, unsatisfied customers and creaking wheels aren't the fundamental problems businesses need to solve. They're merely symptoms of the real problems, the ones

23

that keep executives awake at night. Snake oil salesmen prey on these fears, promising simple fixes for complicated problems. And it's true that algorithms and AI have real value in many organizations. They can be powerful tools that augment our most valuable assets: people and knowledge.

But business is not about making predictions. It's about making decisions, and business leaders aren't making just one decision at a time. They're making dozens or hundreds of interconnected decisions every day to move the needle on problems fundamental to the success or failure of their business. Ensuring business leaders focus their energies on the right questions is vital to any digital transformation.

Follow the right path

Once we're focused on the right problem, the question becomes how to solve it. Organizations often attempt to mimic Silicon Valley upstarts in their digital transformations, but what works for a young tech company may not work for a decades-old organization.

Fortunately, what makes transformation hard is also what makes it valuable. An organization with decades of accumulated human knowledge and market leadership starts from a position of relative strength. The key to maintaining that position is bringing in technology in a way that pushes the organization forward while honoring its evolutionary journey.

It's tempting to lead with technology, to dive into the data and come up with an "insight" (e.g., customers who turn off auto-renew frequently cancel their subscriptions altogether). But if we start out by digging for insights to build models on, we gloss over the critical part: how we actually deploy the insight, learn from it, and refine it. We also risk a lot of correlation/causation errors when we search for the miracle insight instead of doing the hard, slow work of understanding the system. Building a model that predicts a single point of failure in a complex system doesn't account for all of the upstream decisions that led to that outcome. Perhaps more insidiously, it treats all the inherent problems in that system as a given.

Effective transformation starts with humans. Organizations run on naturally occurring decision loops. When we start a new customer relationship, the first thing we do is seek out the humans at the center of these decision loops. These are the assembly line workers, maintenance managers, sales reps, biologists, and so on who actually do the work of carrying out an organization's mission. We ask them: What

decisions do you make? With what information? Under which constraints? As we begin to understand the system, we can begin to optimize it.

But the focus on the operator doesn't stop where technology starts. Too often, "data" (and big data, AI, ML, etc.) is carved off as a separate, highly specialized part of an organization. This is a failure to honor the organization's reality, and in fact distorts it further by adding another layer of bureaucracy. We've accepted that real-world businesses are built on decision loops, not single decision points, with humans necessarily at the center. The best transformation brings technology in to augment them.

At Palantir, we've long believed that the most powerful technology marries the complementary skills of humans and computational systems. We commonly hear that workers in today's global economy will have to be retrained to interact with tomorrow's technology. This framing assumes that technology is inevitable, and that the onus on workers is to adjust, but experience doesn't bear this out. Look at Toyota's Production System, built on the concept of "automation with a human touch" and consistently the source of the automotive industry's best profit margins, including over upstarts like Tesla, whose Elon Musk has brought humans back into a once-automated assembly line. To quote Musk: "Yes, excessive automation at Tesla was a mistake. To be precise, my mistake. Humans are underrated." We can view his mea culpa as evidence of the primacy of human decision-making — an illustration of his power to change in response to learning.

Knowledge and understanding are what differentiates an organization from its competitors. Data is only an approximation for knowledge. It's necessary, but not sufficient; we have to curate data into knowledge and synthesize knowledge into understanding, and for that we need human judgment. Technology that complements the existing skills and knowledge of many different kinds of workers without dramatic re-training or adaption generates the fastest and most sustainable results. Half of Palantir Foundry users in heavy industry are blue collar workers on the factory floor. They use Foundry to make decisions informed by data, and Foundry records their decisions. Their back-office colleagues analyze, interpret, and, where appropriate, model the results to make continuous adjustments that improve the whole system.

Conclusion

Snake oil salesmanship has conditioned us to believe that modern businesses need big data tools to compete. But I

hope I've convinced you that treating technology as a goal in itself won't position you for long-term success. AI and ML aren't silver bullets — the true source of alpha in today's market is your rate of learning, not your technology. You win when you can evaluate your decisions and make changes based on their outcomes faster than your competitors can. Data and technology will give you an edge in this battle, but only if they support the people making decisions, rather than impeding them.

Seek out the right problem, and solve it with the right approach, starting with your humans and the decisions they make. Invest your technology dollars in a system that improves over time as people work together to create knowledge, make decisions, and learn from them. These decision loops, the flow of human knowledge, are the engine that powers your business. Don't look to technology to replace this engine — look to technology to supercharge it.



Shyam Sankar

Shyam Sankar's parents brought him to the US as a small child to escape the violence and corruption they witnessed firsthand in Nigeria, and to pursue a better life. Growing up, Shyam discovered an early love of software, leading to stints as a developer, startup founder, and executive at Xoom, a payments company serving the developing world.

While each of these experiences imparted knowledge, it was Shyam's family's journey - from upheaval, through several entrepreneurial failures, to establishing firmer footing - that most profoundly shaped his aspirations. Shyam joined Palantir in 2006 as the first business hire. Today, as the company's President, he oversees all customer engagements, product strategy, and day-to-day operations worldwide.

Shyam is married to Pooja Nath Sankar, founder and CEO of the education company Piazza. They live in California with their two children.

“We’re getting ready for the digital age”

Anja Karliczek | German Federal Minister of Education and Research

In this article, Anja Karliczek writes about the chances of digitization in the school system in Germany. In particular, she elaborates on the discussion if the leap into the digital age can be made with education and research and what is necessary on top of this.

Recently I visited Möckern, a small town in Saxony-Anhalt. There, many pupils no longer have to carry books into class. Instead, they use tablets and learn online. Smartboards hang in the rooms. It's been a long time since anyone's seen a blackboard or a sponge. „Chalk-free“ is what this is called in teacher jargon.

Speaking of teachers. They are decisive for the children's learning success. With or without chalk. The digital classrooms will help them, even with very practical questions: If the students have to vote on the destination for the next school trip, then no more hands have to be raised and counted - in Möckern the vote is counted with an app.

At the school I visited, digital learning is self-evident. In tests and exercises, for example, the pupils discuss in a forum: What is the right solution? What would be the wrong answer? In this way, teachers can immediately see who has already understood the new material in class.

Möckern is still only a model project. But we are working to ensure that all schools in Germany will soon be equipped for the digital future. Our education system is about to take decisive steps towards further development - not only with regard to nationwide digital equipment but above all with regard to digital competencies. Only those who are digitally mature can take advantage of the opportunities offered by the new world.

We need digital education not only in schools but also in universities and even more so in vocational training. And even in old age, learning remains crucial. Qualification and further training are the keys to being able to survive in the digitalised world; this applies just as much to the geriatric nurse in Cologne as to the chimney sweep in Dresden. And certainly also to the ski lift operator in a Swiss holiday resort. And yet we still don't really know what skills will be important in ten- or twenty years' time, how exactly our work will change. What we need is a real training culture.

We have a promise - „prosperity for all“, and it comes from Ludwig Erhard. His policy of social market economy has taken us far. Germany is currently in a good position. The employment rate is high, the unemployment rate is low and the social security systems are strong. In the autumn of last year, the famous World Economic Forum, which is based in Switzerland, even named us world champion in its highly regarded report on global competitiveness: Nowhere else in the world the ability to innovate is greater, the experts judge, no other country controls the process from brainstorming to product marketing so well. This is particularly evident in the number of patents filed and scientific publications, but also in customer satisfaction with the products. Of course, we were happy about that.

But these are not laurels we rest on. Global competition is becoming faster and more intense. We live in a country with few resources and we amount to only one percent of the

world's population. How can we maintain our prosperity in the face of globalisation and digitisation? This is a question that many people in Switzerland are certainly also asking themselves. The answer is clear: education and research will help us make the leap into the digital age. In addition, we must network closely with others - above all with our European community.

Therefore, we have significantly increased our investments in education and research. When Angela Merkel became Federal Chancellor in 2005, the budget of the Federal Ministry of Education and Research was almost ten billion euros. This year, in 2019, we are investing 18.3 billion euros. The figures speak for themselves - and clearly show where our priorities lie.

An important example is our strategy for artificial intelligence (AI). This new technology is changing the way we live and work. Algorithms not only tell us which music to listen to and which sneakers to buy, but artificial intelligence also relieves us of heavy work, makes our traffic safer, and helps us generate electricity from wind and sun. It also offers completely new perspectives in medicine: Supplied with the right data, Artificial Intelligence

has long been able to identify patterns in disease progressions and infer which therapies promise success.

The potential of machine learning is huge, not only for our economy but for each and every one of us. Because artificial intelligence is increasingly becoming the driver of digitization, the German government has decided to make three billion euros available for its funding by 2025. Our goal is to make Germany and Europe the leading locations for this technology.

Fortunately, we are in a good starting position: For many years now, we have been supporting research into artificial intelligence in Germany. Our research landscape is strong and internationally competitive. But when it comes to quickly turn good research ideas into marketable products, we still have room to improve. We must connect research and practice even more effectively. This means that researchers shall know exactly how they can support medium-sized companies, for example, in digitalizing processes and using artificial intelligence.

I am confident that we will be successful. Because we are not alone: we have strong partners. For example, we have

agreed with Japan to work even more closely together on research into autonomous driving. Especially in artificial intelligence, we try to link national and international endeavors - and above all European. That is why one of my first ministerial acts last year was to visit my French counterpart. Together, our countries will now establish a Franco-German research network for AI.

Furthermore, these new technologies must represent our shared values. We need AI solutions that reflect our European values of the dignity of every human being and guarantee the protection of privacy. We need "AI Made in Europe". For me, the maxim is quite clear: artificial intelligence must serve man. This is different from the Chinese model, in which AI is developed for the sole benefit of the state and the party. And this is also different from the American model, where AI is in the hands of the big West Coast companies and primarily serves their commercial interests. We want another way, our own way. In the center of it all: the enlightened citizen, who decides freely which of his data is stored where and why. We are guided by our Basic Law, which celebrates its 70th anniversary this year and of which we are extremely proud. It says in the first sentence: „Human dignity is inviolable.“

And yet we know: In order to be able to use artificial intelligence, we have to collect enormous amounts of data, for example in the fight against cancer. Data is the raw material for AI. Therefore, the sovereignty and security of citizens' data must be strictly observed. Citizens must be sure that their data will be handled responsibly, otherwise, they will not provide it.

This is why we are initiating a broad social dialogue, for example with the Science Year 2019, in which educational institutions, universities, and companies will participate. In discussion rounds, workshops, film screenings, and many other events throughout Germany, the focus is on questions such as: How do we shape the cooperation between man and machine? And how do I educate myself to be prepared for tomorrow's digital labour market?

It is important to me that we take everyone with us in this process, especially those who are insecure about the many changes and who therefore long for simple solutions. Only together can we create a good future for all of us. Everyone is needed. Change is an opportunity. We're getting ready for the digital age. Everywhere in Germany - in companies, schools, and universities.



Anja Karlizcek

Anja Karlizcek is a German bank clerk, hotel manageress, business graduate and CDU politician. Since March 14, 2018 she is Federal Minister for Education and Research in the cabinet Merkel.

“Apple sells Coca-Cola, we sell Château Lafite!”

Georges Kern | CEO Breitling

In this interview, Georges Kern explains why Smartwatches are not a substitute for analogue watches and how this connects to the beverage industry. Further, find out why watch customers are divided into two distinct communities and what implications this has on a market entry in Asia.

30

In an interview with the Handelszeitung, you stated that you approved every watch, every catalogue, every campaign and every text at Breitling. How would you describe your leadership style?

This is a complex question with many facets. As CEO of a company, you have to have a vision that is communicated unmistakably. If the team does not know where to go, an uncertainty arises that is toxic for the business. A company needs a leader, especially in times of crises. Employees need a certain support, certain guidelines. Therefore, it is much worse not to decide at all than to make a decision you might have to adjust. Especially in a luxury goods company, where taste, trends, etc. are at stake, someone is needed who sets the tone. When we introduced the transformation process at Breitling, for example, we were in a situation where there were many opportunities that needed to be aligned. We had to establish an unambiguous new communication and advertising campaign, a product policy and many other factors. Setting these boundaries is my responsibility. With a luxury brand, it is particularly important to be able to set trends, and this can only be done with a clearly defined and uncompromisingly pursued strategy. Of course, it's not a one-man show. A CEO needs a highly competent team to be successful. The Breitling team is certainly one of the most competent teams I have ever had the opportunity to work with. My team is able to complete, adapt, refine, improve and implement my ideas. Leading such a process is the most important thing I can do in a position like mine.

Georges Kern

31

Have you ever changed your leadership style in your long career as CEO?

Of course, I did, and I still do. But I'm staying true to myself and my principles. I have gained a lot of experience and now know better how everything works. This confidence made me faster over the years. It's a ripening process you go through as a manager. By the way, I don't solely mean this on an intellectual level, but also on a human level. I hope to have become a better manager as a result of this. However, a person's character cannot be changed.

Today, we could argue that the trend is moving away from goods as bare status symbols towards an experience-oriented lifestyle, especially in regard to the generation of the millennials. What challenges will arise for Breitling and how will this be dealt with in the future?

That's a good question. Every market changes fundamentally. The automotive industry has changed a lot with Tesla; the film industry has changed a lot with Netflix; the hotel industry has changed a lot with Airbnb, etc. Due to digitalization, every industry is disrupted every day. This requires companies to be agile. In our industry there have been changes due to the Smartwatches. This sometimes results in major questions and problems. In distribu-

“Apple sells Coca-Cola, we sell Château Lafite!”

tion, for example, the question arises as to how a company can become 'omni-channel'. Or how do I become 'consumer-centric' instead of 'company-centric' and how do I implement this new strategy as a company? This gives rise to new questions, such as which channels I use to communicate with the customer etc. A company must be aware of what it is selling. Is it a clock that indicates the exact time, or is it an object that gives me something on the emotional level e.g. beauty or statement? As your question suggests, what was true for the watch industry 100 years ago is no longer true today. We have to adapt to that. At Breitling I notice two main changes: 'How' we communicate and 'what' we communicate has changed. Today we communicate with our customers via digital channels and convey dreams, stories and emotions, whereas back in the day we communicated via retail and the focus was strongly on technology.

**How has the Breitling customer changed in recent years?
Do you see a change from one customer segment to another?**

I think it is important to look at the watch customer as such. In my opinion there are two big communities in the watch market. On one hand, there is the generation of baby-boomers who used to find it great to drive a car. This community still seeks the old values in the analogue watch industry today. The new clientele are the millennials, who will one day drive through world history in a Google egg while also buying analogue watches, but for completely different reasons. I think these customers are looking for an alternative to the overkill of digitalization. Analogue is the new luxury. That is the reason why analogue watches will never die out, just like jewelry and art never will. In contrast to the automotive industry, nothing changes in our product because the watch is not a commodity. The automobile offers transportation from A to B. Everything that concerns the emotions of the automobile, the smell, the roar of the engine, the throttle, is lost through this transition. In the watch industry, there is no such change as is being driven by autonomous driving in the automotive industry. The watch remains beautiful, it has a design and embodies a statement. The watch cannot and will not be reduced to its mere function.

Smartwatches are on the rise in all parts of the world. Meanwhile there is also the possibility to make only the watch straps smart with technology. Would this be a compromise to connect the Smartwatch customer and the customer of analogue watches with each other and serve them with one product? Are there any attempts by Breitling that go in this direction?

First of all, I have to make something clear. From all sides I hear that digital watches are now more successful than traditional watches. For me, this statement is totally misleading. Nobody would even



think of saying in the beverage market that Coca-Cola sells more hectoliters of its product than Château Lafite. Apple sells Coca-Cola, we sell Château Lafite! Would you make this comparison?

(laughs) No.

That's right, you would not. The second thing is this: 99% of the buyers of an analogue watch want the experience of an analogue watch: the classic design, the craftsmanship of the watchmaker in the Jura and the beautiful handmade leather strap. They don't want Twitter on the wrist. A smart watch strap, although there may even be a market for it, is to me like someone installing a modern engine in a vintage car. Such a car does not increase in value. Smartwatches definitely have their right to exist, I don't question that at all. I do not see the benefit of a Smartwatch as a substitute for an analogue watch, but rather as a supplement to it, for example, in sports or for health purposes. By the way, this is also the path Apple has taken in the meantime. When I go out somewhere in the evening, I don't want to have a watch on my wrist that lights up or vibrates with every message. It's enough for me to always be online with my mobile phone, I don't need that on my wrist.

Swiss watches are exported to various countries all over the world. However, the expectations of a luxury watch in China are completely different from those in Europe. How do you react to this in your China offensive and how important is the Asian market for Breitling?

There are several aspects to this. Breitling was never really strong in Asia, except in Japan, for reasons I am not familiar with. By contrast, Breitling is traditionally extremely strong in the USA, England and continental Europe. The Chinese market has been open for 15 years now. The first buyers bought the traditional watch brands in the beginning. Today we see that the new clientele no longer wants to buy the watches their parents were looking for. In addition, digitalization has made the market much more transparent, people now know which brands are 'in' in different parts of the world at any given time. A market like China can thus be opened up much more quickly. This is the reason why we have come up with a strong cooperation with Alibaba. The problem in China is that physical distribution is still relatively important. This means for us that we have to find the shopping centers where we want to be present and then build boutiques there. By its very nature, this process is extremely slow. However, penetration of the market itself is very rapid.

In my view, however, there is no purely Chinese market for our products. The global market is divided into communities, no longer nationalities and religions. The customer in Shanghai is the same customer as in Paris: he is well educated, travels a lot and communicates in the same way.

The demand for vintage watches has increased enormously in recent years. Also at Breitling you can observe a return to the original values and retro designs (e.g. the Breitling Super-ocean Heritage II, the new Navitimer Ref. 806 1959 Re-Edition or the new retro logo). How do you react to such trends when developing new models?

You have to distinguish between 'vintage' and 'retro'. Our approach is called 'modern retro,' not 'vintage.' The new Navitimer Ref. 806 1959 Re-Edition, which we recently introduced, could be called a 'vintage' edition because it is a re-edition of the original Navitimer 806 from 1959. However, we have developed this watch predominantly for collectors, therefore this is probably a special case. Basically, the Breitling corporate design, as well as our boutiques, are designed in the 'Modern Retro' look, in a cool inviting industrial style. This provides the customer with stability and serves as a tribute to the old values. We also live this philosophy in our office. In the middle of the office there is a large chimney, which dates back to the time when beer was brewed in this hall. We love that, the handiwork, the genuine, the history in 'Modern Retro'. This is also the reason why we have entered into a cooperation with Norton. Norton Motorcycles is one of the oldest motor cycles company in the world and creates emotions that we want to embody as a brand. For the Capsule Collection of the Navitimer 1, we have produced three special editions to match this lifestyle of the Golden Age of Aviation: the Swissair, Pan Am and TWA editions. This was a completely different flying experience than with today's no-frills airlines. People want the lifestyle of 'Catch me if you can' with Leonardo di Caprio, not the lifestyle of cheap flights with delays and excess baggage fees. We embody this with the 'Modern Retro' look. For us this means having an anchor in the past without being dusty and old 'vintage', but rather 'cool'. Nevertheless, a brand should not have a single focus. We try to find a balance between our vintage designs, which ensures the customer that the brand has an identity, values and modern designs, which are rather hip and light.



Georges Kern

Georges Kern studied Political Science in Strasbourg, France, and graduated in Business Administration from the University of St.Gallen in Switzerland. He acquired experience in the fast-moving-consumer-goods sector at Kraft Foods Switzerland before moving into the watch industry at TAG Heuer.

In 2000, he joined Richemont, the Swiss luxury goods group, and was active in the integration of the brands A. Lange & Söhne, Jaeger-LeCoultre and IWC Schaffhausen following their acquisition. In 2002, at the age of 36, he became the youngest CEO within Richemont when he was chosen to run IWC Schaffhausen. In 2017, he was promoted to Head of Watchmaking, Marketing and Digital at Richemont and focused on supervising the Specialist Watchmaking Maisons.

In 2017, Georges Kern was appointed the new CEO of the independent watch company Breitling SA, where he is also a shareholder. In his new position, Georges Kern's mission is to foster the global development of one of the world's most established watch manufacturers, and to focus on further developing Breitling's digital and retail footprint, in particular with a view to accelerating growth in the important Asian markets.

Georges Kern served as a member of the Young Global Leaders at the World Economic Forum from 2005 to 2010, and became Founding Curator of the Global Shapers Community in Zurich in 2011.

“Nobody shrinks his way to greatness!”

Dr. Alexander Dibelius | Managing Partner CVC Capital Partners

Dr. Alexander Dibelius started his career as a heart surgeon, then switched to consulting before he worked for Goldman Sachs for 23 years, most recently as Co-Chairman of Global Investment Banking and head of Germany and Central Europe. After his retirement from Goldman Sachs, Dibelius joined the private equity investor CVC Capital Partners as Managing Partner in 2015. In this interview he talks about his unusual career path, criticism of the financial markets and why cutting costs should not be the only way to increase value.

You are a former doctor. What motivated you to give up the field of medicine and enter the financial market?

Originally, I didn't feel the urge to work in the financial markets. But since I was already relatively well qualified in my field of medicine at a young age, I knew that my career would stagnate for the next 10 to 15 years until I would qualify for a leadership position in a surgical clinic. I was a little bored-out by that prospect so I decided to stop for at least a year and do something else. These days we would call it a gap year. In search for the right temporary challenge, I went to see my trusted mentor at the Studienstiftung (German Academic Scholarship Foundation), who felt Consulting could provide me with a new experience. I didn't know exactly what that was, so, as this was well before Google, I returned to the university library in Freiburg and searched for business magazines. The only thing there for consulting was an issue of "Manager Magazin" with McKinsey on the cover. So I submitted an application written on a home computer during my night shifts, probably with a lot of typos. Eventually it worked out, I was interviewed and started at McKinsey three days after my last appendectomy as a surgeon. My first project was the restructuring of Sandoz (now Novartis), of course I had no idea of anything, but I enjoyed it so much that I decided to stay when after the year my boss in the hospital asked me to return. After a few years, I was elected partner, but shortly thereafter, I moved to Goldman Sachs. Having spent 23 years there, I originally wanted to retire, but CVC took the initiative and so I'm sitting here today.

Do you sometimes long for your time as a doctor?

I still like to think back to my job and am in close contact with my old class mates from medical school. I try to keep myself scientifically up to date to the extent possible and obviously there are from time to time links between medicine and my current job as an investor. Although I have always enjoyed performing surgery, I never regretted having left medicine.

In investment banking and asset management, there are many repetitive tasks in which algorithms perform better than people (e.g. Scalable). Many voices therefore claim that investment banks have no future in the long term. What do you think?

When it comes to pure data processing, you can always replace routine tasks with new technologies or make

them more efficient. But that has been the case throughout my entire career: In the beginning, we did our own deal comparisons, and we manually compiled the information on which multiples certain transactions had been closed. Today that information is a downloadable commodity provided by third parties. Technology has always helped us become more efficient, but at the end of the day large successful transactions involve very complex processes influenced by multiple often uncorrelated factors, including the human component, that no algorithm will be able to resolve efficiently in the foreseeable future. That's why I believe that while the working environment for bankers will change permanently, there will always be human interfaces that cannot be replaced easily. "Making sure that the deal gets done" will in the end be ensured by a human being. So you could even argue that banks and the human factor become more important and interesting as the "dull" tasks are increasingly being covered by technology. This makes investment banking an even more interesting career choice.

Over the past two years, private equity has become increasingly well known to the public. However, many people see it as just an "excess of capitalism". What contribution does this industry make to the financial sector? Which for society?

Private Equity investors are often accused of their practice consisting of "slamming, knocking over, and cutting off". But that is far from reality as I see it. You can try to structure the contribution of private equity around three topics:

1. We create liquidity for large corporations in the Market for Corporate Control. A classic example: If Linde wants to merge with Praxair, they have to sell certain assets for anti-trust reasons. A private equity investor, in this case CVC, supports the family company Messer to acquire these assets. This makes the Linde Praxair transaction possible in the first place. But even in more straight forward situations, i.e. the sale of a division or business in the context of strategic portfolio management within a large corporate, private equity can often provide a new home for an otherwise orphaned asset.

2. Private Equity is focused on increasing the value of the assets it acquires as this is the commitment they have towards their own fund investors. We employ various tools to do this in the context of a comprehensive value creation program that is implemented together

with the management of the company. We always try to make good companies better which will translate into an increase of their value.

3. By giving the right incentives to the senior managers of the companies we invest in, we create real entrepreneurs. Accountability and responsibility are felt more directly. We achieve that company management and investors have aligned interests and management become co-owners of their company, spreading ownership to those who know the asset best. It also helps to optimize the return on these assets or in other words assets and management talent are more efficiently allocated.

Müntefering (SPD) said in 2005: “Some financial investors don’t think about the people whose jobs they are destroying - they remain anonymous, have no faces, attack companies like swarms of locusts, graze them and move on.” What is your response to such harsh criticism? Does this affect your customer relationships?

Such criticism stems from the old days, when people did not really know what private equity is and what PE investors do. That has certainly changed. By the way, the only case I remember from those days in which an empty skeleton of a company was left behind is the sale of the Bundesdruckerei, whereby in the end it was above all the government as a seller that made a lot of money by divesting from it for a steep valuation into a heavily levered structure. As a result, the creditors took control and it eventually ended again in the government’s hands.

As I already said, we want to leave better companies and take a long-term perspective. I personally find it a rewarding perspective to stay close to a company even beyond our ownership. An example I can give is Nixdorf. My first exposure to the company was back when I was at McKinsey. At the end of the 90s, the core of the company was bought from Siemens in a private equity transaction, creating Wincor Nixdorf. Some eight years on, Goldman sold all shares to the market after an IPO, but I still remained on the Supervisory Board of the company and eventually served as Chairman, showcasing my personal commitment. Most recently, the company was acquired by Diebold and is nowadays a US-listed corporation called Diebold Nixdorf. And I now serve on the Board of that company. I think this demonstrates, as an example, that we are professional private equity organizations and are anything but short-term centered

in our approach. For more than 20 years the firm has gone through various phases, thereby securing its existence in an ever more competitive marketplace and securing peoples’ jobs. I don’t think anyone would say that I am anonymous. Of course, the investment has paid off for their private equity funds and the public Wincor Nixdorf investors, and I am sure that it continues to exist and will prosper. In the end, we take our responsibility as an investor very seriously. Hence, I would doubt that Mr. Müntefering would today repeat his expressed views from 14 years ago.

If Private Equity conducts business so responsibly, where do such opinions come from?

I think Mr. Müntefering was influenced by the PE investment in the company Grohe that is headquartered in his constituency. At the time, severe job cuts needed to happen in order to secure the company’s future in a more competitive market place and as a result of globalization. But politicians have a hard time explaining a concept like globalization and its bearing on local businesses to their electorate and it is even harder for them to state that they cannot do anything against it. It is much easier in their fight for votes to quickly find an unknown private equity investor to be a suitable scapegoat and a simple explanation and at the same time being vocal against the asset class private equity. In any event much easier than to fight globalization, of which Germany has been one of the greatest profit takers.

Funds currently have a lot of dry powder, i.e. liquid funds that have not yet been invested. Why is this and how do you deal with it?

There are 3 reasons why so much money is currently flowing into private equity:

1. The search for yield, driven by ultra-low interest rates.
2. Traditionally, the asset class private equity has over a long term always delivered outsized returns compared to public equity.
3. The negative connotation of selling a company to an investor has changed. Selling to private equity nowadays is acknowledged as a responsible thing to do as we discussed before. This and the overall positive outcome for larger PE owned businesses is driving the supply side for assets, i.e. investors find a much more liquid market and increased chances to deploy their funds.

According to Urs Wietlisbach (Partners Group), in order to sell a portfolio company today with a corresponding profit, you have to reduce costs and make the companies more efficient. How do you do this and what are the most common factors you take into account?

We don’t always have to cut costs, there are many different levers that can be used. Reducing costs is always the easiest thing to do because you control it yourself. The important thing, however, is that you not merely reduce costs, but that you reinvest the savings into growth. Nobody shrinks his way to greatness; in the long run you must always grow. Revenue, costs and capital: all three aspects have to be worked on in an investment.

CVC has owned Breitling for several years. What changes in a family-owned company like this traditional watch manufacturer when a private equity house buys the company? Do you encounter resistance often?

We don’t make the strategy; our job is to find the right management team to enhance the value of a company. In the case of Breitling, we have put an almost completely new tested and proven management team on a very strong company with its outstanding product heritage to take the whole company to a new level. We never actually see resistance from management, because in private equity investments, the interests of owners and management are aligned. Resistance in the workforce, on the other hand, might sometimes exist but is, in my opinion, almost always a communication problem. If the goal is to build a sustainably more resilient company that offers even more secure jobs, then this must also be communicated clearly, and the work force will understand it. Over the years we have had very good experiences with workers and their representatives and in many cases, they are based on an open communication supportive in building better and growing companies as it has a positive impact on long-term job security.

Ivan Glasenberg (CEO Glencore) said in an interview that there is no work-life balance at Glencore. Andrea Orcel mentioned the same in a Financial Times interview. However, a number of internationally renowned banks are currently announcing a cultural change on this issue. What do you think?

Of course, the focus of people’s personal work-life balance is changing. In my opinion, the most important

thing is that a variability of different life models is possible side by side. Different people have different needs and a modern work environment in particular in the financial services industry should be able to accommodate everyone. During my time in banking I told my people that nobody has to work 24/7, but most of them tried to do so anyway. Often it seems a bit like a group dynamic, people feel that they have to work because their colleague does. And one thing is certain: in a high-performance culture, they will always find a way to keep themselves busy. But at a certain point one has to say, it’s enough, I’m going home now. But this should be an individual decision, I do not think that a grown-up professional needs somebody to prescribe work or lifestyle. At the same time working hard, feeling good about it and enjoying the results should be legitimate as well.



Dr. Alexander Dibelius

Dr. Alexander Dibelius is Managing Partner at the Private Equity firm CVC Capital Partners. A medical doctor and surgeon by training, he has been a management consultant, investment banker and financier for over 30 years, rising to the rank of partner at both McKinsey and Goldman Sachs, where he spent the majority of his career and retired as Chairman of Goldman’s global investment banking division. He has been noted as one of the most prolific and successful bankers in Europe since the 1990s. He was behind signature transactions such as the Daimler Chrysler merger, the takeover of Mannesmann by Vodafone and the acquisition of Continental by Schaeffler. Dibelius is married and has four children.

Capital for Purpose at the 49th St. Gallen Symposium

Lena Kesseli | Media Relations St. Gallen Symposium

40

Today's society experiences a shift away from short-termism to a much more environment-centric way of engaging in business activities. However, there are a number of challenges that need to be addressed when conducting this transition.

Capital has served as the foundation of many of humanity's most extraordinary achievements. Thanks to capital, today's society enjoys technological and medical progress, as well as declining poverty and hunger. Yet, the world still faces complex challenges. Business leaders are bombarded with expectations from stakeholders on issues like conscious capitalism, sustainability, corporate social responsibility, etc. How will individuals, civil society, businesses and governments handle capital in the future? The time has come to counter short-termism and start doing "business as unusual".

The Perils of Short-Termism

As humans, we are tremendously successful, efficient and industrious in transforming capital into usable goods and stores of value. Fueled by technology and finance, the recent human history is marked by unprecedented progress, growth, and accumulation of wealth. At the same time, we are confronted with disconcerting inequality and externalities that negatively affect the environment and future prospects. Capitalism has trouble thinking beyond the here and now. Research shows, that short-termism is destructive in the long haul since shareholder decisions often rely on the quarterly financial expectations of analysts. Shifting the corporate, societal, and political landscape to refocus on broader and more long-term goals beyond simplistic figures of economic growth requires bold decisions and genuine commitment. With – still – widely available executive compensation packages rewarding short-termism, it takes guts and willpower to keep the non-immediate future in focus. However, what looks like success today, can inhibit a company's competitiveness tomorrow. Putting profit at the

center of your business strategy comes at a high societal cost: If you focus only on selling more sweets, the cost may be obesity. If you focus only on selling more alcoholic beverages, the cost may be addiction. If you focus only on selling more guns, the cost may be increased gun violence.

Reimagining Capitalism

Private businesses are powerful instruments for advancing human well-being. Likewise, individuals who dedicate their economic and social activities to purpose and serve society at large, have the potential to be the superheroes of our time. Unfortunately, there is still a common misconception that companies must be either purpose- or profit-driven. This, however, is not the case. Talent retention and productivity increase when employees identify impact, meaning, and purpose in their work. In times of crisis of trust, investing in shared purpose bolsters reputation and public confidence. Given this, purpose-driven companies will have better business outcomes and attract more loyal customers and the best minds. Customers and employees feel like they are part of the solution. This is important especially since nowadays an increasing number of young entrepreneurs and employees – mostly in the western world – give equal weight to their economic, social, and environmental missions. Furthermore, our next generation, the millennials, are said to be digital natives, truly global and interconnected and have a sense of collective responsibility. They will soon be the dominant generation in our active working population and bring forward new trends, rethink social contracts, and demand new commitments from government, business and each other. As they are pushing for transparency and trustworthiness, businesses have to adapt their use of capital to those new factors.

Lena Kesseli

41



49th St. Gallen Symposium

Way Forward

Being a leader comes with responsibility. However, responsibility in its current form needs rethinking to a degree where corporations serve their societal function and in which financial targets are one factor amongst many others, rather than being the end goal. Businesses must turn their supply chain into a more transparent expression of their ethically and environmentally responsible mission. This – in turn – will inspire customers to take action and pushes other businesses to build a reputation for authenticity.

Leaders need to walk the talk in all they do to remain credible. They have to stand up and take responsibility for outcomes which are unwanted by government and society such as obesity, addiction, or gun violence. Having said that, the responsibility of leaders and businesses has limits, as individuals cannot be controlled in what they do with the product. The framework should be such that deceptive and ill-intentioned behavior is sanctioned and – even better- harder to pull off. Together with policy-makers, leaders and businesses must design progressive policies to adapt to the world's fast-changing scenarios. Taxation and investment regimes need to be aligned to foster efficient use of public and private capital to achieve lasting change to the benefit of the planet. Following a purpose that serves humanity and the planet should be guiding our actions – it is the only way we now can ensure a prosperous future.

How do we shift from shareholder primacy to purpose primacy? And who takes the lead? How do we decide on which forms of capital to focus? These important questions deserve more than a debate. An action plan for impact within our community is required. The St. Gallen Symposium gives the opportunity to discuss how to best set actionable goals for businesses, politics and civil society, and fosters the crucial dialogue between generations. In May 2019, promising young thinkers, together with today's senior leaders, will revisit and expand the use of capital.



About the St. Gallen Symposium

The St. Gallen Symposium is the world's leading initiative for intergenerational debates on economic, political, and social developments. It brings together key decision makers, thought leaders, and brilliant young minds to address current challenges and opportunities on transforming ideas into action. Since 1969, the St. Gallen Symposium has fostered healthy debates and created an outstanding community for exchange. It is a student-run initiative combining excellence with innovation: A unique and extraordinary experience.

Along with today's policy-makers, the next generation of leaders recalibrates how capital is used. The St. Gallen Symposium focuses not only on fostering debates and collecting ideas, it attaches great importance to turning these ideas into action. To empower the voices of the next generation, the St. Gallen Symposium collects the opinions and visions of today's most promising young talents. Since 1989, close to a thousand students have taken part in the world's most prestigious global essay competition every year to vie for the St Gallen Wings of Excellence Award. 100 young visionaries from all over the world will be selected by an independent jury to participate in the St. Gallen Symposium; the three best authors present their ideas on the big stage in May 2019.

In the past, global luminaries such as Christine Lagarde, International Monetary Fund (IMF), Jack Ma, Alibaba Group, Tidjane Thiam, Credit Suisse Group AG, Professor Niall Ferguson, Harvard University and Anders Fogh Rasmussen, NATO have contributed to the „St. Gallen debates“.

Capital for Purpose – But What Kind of Capital?

Youplus, an insurance company as a network

Martin Vogl | Chairman of the Board of Directors of Swiss InsurEvolution Partners Holding AG

As a young insurance company, we are revolutionizing the way we think about insurance. Starting in Eastern Europe we provide an agile and innovative approach to a traditional industry leveraging on a network of independent partners to ensure high quality along the entire value chain.

The purpose for which capital is used is an individual matter of each company. The small as well as the big, the private as well as the public, the start-up as well as the large corporation. Decisions as to how capital is most efficiently used are not only part of annual budgeting decisions but also occur regularly, consciously or unconsciously, in everyday business life.

What receives less attention is the question of which capital is being talked about. When the term “capital investments” is used, the term is consistently used as a synonym for “use of economic means”. Restricted to HR departments, we also talk about human capital when it comes to the know-how and skills of employees. One form of capital that is completely ignored, however, is that of social capital, the network of relationships within a company that allows financial and human capital to take effect in the first place.

This general linguistic preference to interpret “capital” in everyday life almost exclusively as “financial capital” is not coincidental. On the one hand, it is an expression of the simple understanding of our economic system in which financial capital plays a key role. On the other hand, it also testifies to a general prioritisation of financial capital for entrepreneurial success. This is still regarded as the most important resource of a company, human capital and social capital in particular usually play a subordinate role. From this point of view, financially strong corporations seem to have an advantage, innovative entrepreneurs have no chance. A look at formerly small start-ups such as Uber, AirBnB or PayPal shows that this does not correspond to reality: disruptive business models arise in young entrepreneurial structures.

Jeremy Rifkin, an influential American economist, sociologist and influential voice of the sustainability movement, criticized a short-term view of capital as early as the 1970s. He predicted a decreasing importance of property in favour of social capital: Access to networks will become more important than access to financial capital, efficient processes will take the place of rigid structures. “It’s about access, and currently for companies there is no bigger concern than getting access to the networks and relationships that create business opportunities.”

For capital to serve a sustainable purpose, the capital itself must therefore be sustainable. Companies have to act sustainably in order to have success in the future and thereby being able to build up a functioning network, in using its social capital in a targeted way. This also applies to the still rather conservative financial sector: the form of cooperation will determine the innovative strength and thus the continued existence of companies.

The insurance industry is traditionally dominated by large companies. With the advent of Fin- and Insurtech, smaller companies with innovative solutions have also moved into the focus of the industry, but nevertheless: the customer does not want holistic solutions without the larger insurance groups. Why? Isn’t it possible to build a dynamic insurance company, open to innovative entrepreneurial solutions? This is precisely the question where Youplus’ business concept is tying in with.

Youplus, the insurance as a network

Youplus is a Swiss concept, founded by entrepreneurs with many years of experience in the insurance industry. We have recognized that the market, dominated by large but rigid players, offers neither sufficient benefits for the end customer nor suf-

efficient opportunities for talented and innovative entrepreneurs. In this state of inertia, promising potential remains untapped. Youplus wants to exploit this potential.

We are convinced that innovation can only develop in a business environment. Equipped with personal responsibility, fighting spirit and the courage to take risks, the entrepreneur is the nucleus of progress. In order for these entrepreneurial forces to unfold, appropriate structures are necessary. Fixed areas of responsibility, rigid responsibilities and a top-down mentality hinder and are the opposite. In the modern economy, the creation of entrepreneurial freedom is in demand.

Youplus pursues a “Best Partner Concept” and is structured as a network of independent and equal partners. The members of our network continue to function as independent entities, but share the same Swiss values: precision, reliability and the quest for innovative solutions.

The Best Partner Concept is also open to new partners with innovative solutions and therefore highly dynamic. Our partner network currently includes Aspecta Assurance International, Zurich-based asset manager DIVAS Derivative Solution, one of Europe’s leading software developers: ASSECO SA, a local team for the Czech and Slovak markets, a consulting team of students from HSG (ESPRIT St. Gallen) and a large German reinsurer.

The diversity of the partners is both the strength and the challenge of the Best Partner Concept. Overcoming cultural and language barriers, creating mutual trust and creating a healthy conflict culture is essential for success. Once this social capital has been established, you gain advantages that are not possible in a rigid corporate structure. As a network of independent partners, we are able to implement innovative solutions decentrally along the entire value chain.

While other insurances move like heavy tankers, Youplus works like a swarm of speedboats: Dynamic, agile and ready to adapt quickly to a changing environment, guided by the common goal of finding dynamic solutions for the insurance world.

Youplus is already making its first market appearance this year: in the Czech Republic we are launching the first insurance solution fully developed in a network.



Martin Vogl

Martin Vogl is Chairman of the Board of Directors of Swiss InsurEvolution Partners Holding AG, Skandia Life AG, Aspecta Assurance International AG and CEO of myLife Lebensversicherung AG. He is responsible for the operational and strategic development of the life insurance activities. This includes the settlement business in Switzerland and the Principality of Liechtenstein as well as new business activities in Germany and Eastern Europe. With Youplus he starts this year in the Czech Republic and Slovakia.

Martin Vogl previously held various management positions within the AXA Group.

“The key principle behind our success is paranoia”

Urs Wietlisbach | Co-founder of Partners Group

Urs Wietlisbach recalls the founding period of the Partners Group and reveals the key factors behind the success of his firm. He then speaks about the importance of sustainable investing and how the future can be shaped by financial institutions and institutional investors. Lastly, he explains why in his opinion, nobody deserves to be a billionaire.

Urs Wietlisbach, you quit your job at Goldman Sachs to co-found what turned out to be one of the industry’s most successful Private Equity firms. At what point did you realize your entrepreneurial endeavor had been successful?

This was relatively early in Partners Group’s history. We were still very small back then, maybe a team of 10- 15 people, so we didn’t have an impressive track record. But there was a businessman we knew who insisted he wanted to buy shares in our company - something we had no intention of doing at the time. Because he didn’t give up and kept insisting he wanted to invest, we finally made him a cheeky offer at greatly inflated valuation - admittedly more to get rid of him. When he was still willing to invest, despite the excessive valuation, I realized that our firm was a success. To venture into self-employment and then see it pay off was a very nice feeling indeed.

As a founder and entrepreneur, what would you say were the key factors behind the success of Partners Group?

The most important basic principle at Partners Group has always been entrepreneurial thinking. To encourage that entrepreneurial mindset, we have always sought to incentivize our employees by aligning remuneration with the company’s long-term performance and enabling their participation in its success. Historically, this was done predominantly through share ownership; today, greater emphasis is placed on rewards derived from investment performance, or ‘carried interest’.

The second key principle behind our success is paranoia. We constantly question ourselves and I firmly believe that it is one of our greatest strengths that we don’t take anything for granted, despite our success to-date. For me, this extends to the fact that, for example, I still have an Oyster Card and take the tube when I am in London, rather than getting a driver.

What is the best advice you can give to students who are starting their career?

There are several things I would advise students to be mindful of.

Firstly, it’s a virtue to be able to listen. Everyone can talk, but not everyone can listen. This is not only true in the workplace, but also in everyday life. Listening is the only way to understand someone correctly and respond to them, to recognize their wishes and problems and quickly offer tailor-made solutions. For those students who are considering a career in sales, this is especially important. You have to lead your client to the sale by showing him or her exactly why he or she wants your product or solution. You have to present them with the solution to a problem that they did not even know they had. If you then manage to take the client by the hand in a conversation and make them see for themselves why they need your product or service, you are

very close to winning that deal. That applies to all negotiations, by the way. For example, if you want your employees to do something, you can approach this in two ways. You can either tell them what to do or you can take them by the hand and show them the way. If they end up believing that they came up with the idea by themselves, they will fully commit to its implementation.

My second point relates to attitude. Graduates from HSG think they are already the greatest, but the reality is very different. At university, you fill your mind with textbook knowledge. This is enormously important and forms the basis for later learning. However, the really crucial knowledge is acquired in practice, especially during the first five years of working. That's when the wheat separates from the chaff. In my observation, many recent graduates think only about career progression when they start working. That's wrong in my opinion. I always advise students to „think contribution, not career“. If the contribution and the mindset are right, then the career develops automatically.

Another decisive factor is curiosity. When I started at Goldman Sachs, there was a training program for all the analysts before we started working for the company. Now, there are two possible ways to go about this training. Either you go along for the ride and absorb the basics, or you approach it like I did and pester everyone with questions about commodities, trade finance, options and derivatives. I wanted to be a generalist first, before specializing. That has advantages and disadvantages. The advantage of specializing early in your career is that you can move faster up the food chain from the beginning. At some point, however, the progress stops, and it never quite leads to the very top. The goal of a derivatives specialist must be to become „head of derivatives“. However, a company

only needs one of these. If, on the other hand, you stay a generalist for longer and fill your mind with more knowledge, you have better chances of progressing further in the long run.

Lastly, for those students with entrepreneurial ambitions, I am convinced that the best approach is to train with a large company after graduating and only after that take the step into self-employment. Sometimes, however, the timing can be hard to judge. Many would-be entrepreneurs end up missing the exit and staying with a big company for too long. They have a good salary, feel secure, see the career ladder ahead of them and forget their entrepreneurial ambitions.

...unlike you. You dared to leave Goldman Sachs to found Partners Group.

That's true. My co-founders and I all quit our very well-paid jobs in order to get our own business off the ground. It's a big step and it takes a lot of courage to walk away from a good salary and risk everything. However, being self-employed was always my dream and I am glad I followed that path.

Partners Group's three founders, Alfred Gantner, Marcel Erni and you, are very diverse in your individual strengths and weaknesses. What has been the secret to working together successfully over the years?

One reason why this partnership still works so well is that we know and respect each other's strengths and weaknesses. Another reason is that we always discuss everything until we can agree a way forward. Once we have agreed a way forward, we all stick to the plan without any further 'ifs and buts'. Even when a decision has

turned out to be wrong, we have never once said to each other, "I told you so!" Once a decision has been made, there are neither reservations nor compromises.

What are your goals today?

My goals today are much broader than they used to be. I used to focus only on the success of Partners Group. Of course, my number one goal is still to ensure the existence of Partners Group after my co-founders and I are no longer around. We are all still relatively young, given the fact that we gave up our operational roles some time ago. But the handover process takes a long time and I am glad that we still have 10-15 years left for that (laughs)!

Today, impact investing is a topic very close to my heart. I want to achieve big things with PG Impact Investments, the specialist impact investment manager that we launched in 2015, backed by Partners Group. In addition, with the Wietlisbach Foundation I am pursuing goals that are no longer primarily about generating returns. My main ambition here is to do good deeds efficiently and to help people. As President of the Swiss Sports Aid Foundation and the "Passion Schneesport" Foundation, I also play an active role in supporting promising young athletes.

Larry Fink recently said that within five years everyone would calculate the value of a business through its impact on society, politics and the environment. Do you share that view?

In my opinion, this shift in mindset will be the next big thing. However, the question remains how to go about it, especially in public markets. Even today, many factors are weighted differently by different analysts, which can have a major impact on indices and rankings.

However, it is relevant to note that back when I was studying at HSG, accounting principles were much more rudimentary than they are today. One could calculate the state of the company out of the income statements, because there were so many undisclosed reserves. This is unthinkable with today's principles, including IFRS and US GAAP etc. This shows that common standards take time to be developed and become reliable. I believe we will see a similar evolution in standards to measure the new values predicted by Larry Fink.

In the future, will a firm be able to justify unsustainable investments to its clients?

The trend clearly points to the fact that it will be increasingly difficult to justify such investments. For example, several insurance companies and other investors are now putting money exclusively in sustainable investments. Accordingly, sustainability indices are becoming increasingly important in public markets.

You have mentioned on previous occasions that nobody deserves to be a billionaire and that billionaires have an obligation to return their wealth to humanity. Can you expand on that view?

Many people who are wealthy have done something right from an entrepreneurial point of view. Nevertheless, it takes a lot of additional luck to become a billionaire. There are a vast number of people who have worked just as hard as I have and not got rich from it. You have to be mindful of that and act accordingly. That is why a large part of my wealth goes to PG Impact Investments and the Wietlisbach Foundation. In addition, I give money to charities, start-up financing, and sports aid, etc. The „giving pledge“ formulated in the USA by

Warren Buffet and Bill Gates serves as a yardstick for me in this endeavor. It obliges its signatories to give away more than 50% of their wealth during their lifetime or upon death and not to bequeath all their wealth to their children. But this model is by no means new. Andrew Carnegie was one of the richest people in the world at the end of the 19th century and a well-known philanthropist. His aim was to spend two thirds of his life on education and business interests; the last third he said should be used to think about how to efficiently return his wealth to the community. Accordingly, Carnegie left only a small part of his wealth to his daughter. At that time, there was a great need for public facilities such as libraries, so that everyone could educate themselves, and parks, so that workers could relax in a beautiful place on Sunday afternoons. This is where most of his wealth went. It was extremely important to him that his money was used efficiently and effectively and not simply given away – that is very important to me, too.



Urs Wietlisbach

Urs Wietlisbach co-founded Partners Group in 1996. He is a Partner of the firm and an executive member of Partners Group Holding AG's Board of Directors, based in Zug. Urs Wietlisbach is Chairman of the Board's Client Oversight Committee and a member of its Strategy Committee. He is also a Board member of PG Impact Investments AG and a member of the Board of Trustees of PG Impact Investments Foundation, a foundation that focuses on impact investing globally.

In addition, he is a member of the Boards of Directors of Entrepreneur Partners AG, a Swiss asset manager, and PG3 AG, Switzerland, the family office of the founders of Partners Group. He is a member of the HSG Advisory Board and member of Board of Trustees of HSG Foundation, the foundation of the University of St. Gallen. Urs Wietlisbach is also the Chairman of the Board of Trustees of Passion Schneesport, a foundation supporting young Swiss talents in snow sports, and the Co-President of Schweizer Sporthilfe, a foundation that supports Swiss athletes. Prior to founding Partners Group, he worked at Goldman Sachs & Co. and Credit Suisse. He has 30 years of industry experience and holds a master's degree in business administration from the University of St. Gallen (HSG), Switzerland.

Investing in the future of our networks

Urs Schaeppi | CEO Swisscom AG

With the digitalization of the economy and society, communication networks and technologies are increasingly in the focus. It is these data highways that are decisive for a successful digital future for Switzerland – and with 5G the next generation project is awaiting.

Digitalization is not new. But the digitalization process today is much more intensive and far-reaching. It pervades all industries and turns business models and value chains upside down overnight. Uber has transformed the global taxi industry, Google has brought publishers into a tough spot, and Whatsapp has challenged telecommunications providers. These developments have led companies from all industries to engage in digitalization. And rightly so: it is better to design for yourself than to be driven by others. It is therefore not surprising that the management of Swiss companies is becoming increasingly involved in digitalization: According to a survey of around 700 Swiss companies, EY found that 69% of all customer relationships are already conducted digitally, in whole or in part. When asked whether digital technologies play a very important role in the company's business model, only 17 percent answered yes at the beginning of 2016. By 2018 the figure had already risen to 31 percent.

Industry 4.0: Key to competitiveness

With increasing competition and cost pressure, companies must increase their efficiency and at the same time offer new services and products on the market in ever shorter innovation cycles. This is precisely where digitalisation comes into play: through new technologies in the fields of robotics, big data, machine learning and artificial intelligence, but also through new forms of cooperation. The buzzword of the hour is "Industry 4.0", which includes the digitalization of production chains. In 2018, Ypsomed and Swisscom demonstrated how 5G technology can be used to digitally orchestrate the entire value chain, from the delivery of raw materials and the manufacture of products through the provision and delivery. In my opinion, such approaches must set a much stronger example in Swiss industry, because this is the only way we can ensure the competitiveness of Switzerland as a workplace in the future. It also reverses a trend of the past decades: Increasingly, industrial jobs can be brought back to Switzerland.

Highest network investments in Switzerland

A successful future requires investments in our networks. They are the central infrastructure that makes digitalization possible in the first place. They are just as important for the future of Switzerland as other basic infrastructure projects – such as water supply, transport or electricity. Yes, digitalization is even the lever to lead these basic infrastructures into an intelligent future. Keyword: Smart Mobility or Smart Energy.

The telecommunications market, which was liberalized in 1998, has triggered a dynamic network competition and has led to Swiss broadband supply being ranked

among the top providers in an international comparison - thanks to massive investments by all market players in their networks and the latest technologies. Switzerland has the highest per capita investment in telecommunications infrastructure of all OECD countries. It is therefore not surprising that broadband availability of at least 30 Mbit/s in rural areas, at over 93% of households, is twice as high as in the EU (46%). Swisscom alone has invested around 15 billion Swiss francs in its networks and IT in the past ten years - since 2012 this has been at least 1.6 billion Swiss francs annually. This even exceeds the cost of the Gotthard Base Tunnel, the construction of the century, which namely cost 12.2 billion Swiss francs. I once heard a very fitting statement about our country: Switzerland possesses the most magnificent constructions in the world, but only rarely are they visible. This statement also applies to our networks. They are great technological structures that connect the entire country and secretly form the lifeline of digitalization.

5G: Generation project with challenging framework conditions

With 5G, the next generation project is awaiting. This air-bound highway will provide the necessary capacities and functionalities for the near future. With the growing number of connected devices, the Internet of Things (IOT), the volume of data is also increasing rapidly. According to the IDC White Paper "The Digitalization of the World - From Edge to Core", the global data volume in 2025 will be around 175 zettabytes - almost six times the current data volume.

At the beginning of the year, Swisscom was able to secure the necessary frequencies for the nationwide 5G expansion. Now the expansion is on the agenda, so that by the end of 2019 the entire country can already benefit from the new technology. However, the Swiss conditions for an optimal expansion that guarantees all 5G functions are extremely strict. This slows down and increases the cost of expansion - to the detriment of Switzerland as a business location. In order to ensure Switzerland's competitiveness and thus its location advantage, the expansion of 5G and all future technologies must take place rapidly throughout the country.

Switzerland is therefore in control of whether it has to endure digitalization or whether it wants to use it to its advantage. It is up to politicians to create ideal conditions for investments in network expansion and it is also up to each individual company whether and how it wants to use the innovative power of digitalization.



Urs Schaeppi

Urs Schaeppi has worked for Swisscom for 20 years. Since 2006 he has been a member of the Swisscom Group Executive Board, from 2008 he was in charge of the corporate customer division and from the beginning of 2013 Swisscom (Switzerland) Ltd. The Swisscom Board of Directors elected Urs Schaeppi CEO Swisscom AG at the beginning of November 2013. He holds a degree in engineering from the Swiss Federal Institute of Technology (ETH) and a degree in economics from the University of St. Gallen (HSG). Prior to joining Swisscom, Urs Schaeppi held various management positions at Iveco, Ascom AG and Papierfabrik Biberist.

Swiss financial centre must become more climate-friendly

Susanne Hochuli | Chairman of the Board of Trustees of Greenpeace Switzerland

The Swiss financial centre is one of the most important in the world. Therefore, the responsibility of the local financial actors for global climate protection is enormous. Banks and insurance companies still do not take this responsibility seriously enough.

"The price of greatness is responsibility." That's what Winston Churchill, former prime minister of Great Britain, once said. The Swiss financial centre is influential. In 2017, 253 banks and 204 insurance companies were active in Switzerland. The financial location generates around 9 percent of the gross domestic product (GDP) and contributes to more than five percent of total employment. By international standards, Switzerland is one of the world's most competitive financial centers. More than a quarter of the assets managed across borders worldwide are managed in Switzerland. With Credit Suisse and UBS there are two major banks domiciled in Switzerland that are among the leading institutions in the international market.

With great power comes great responsibility. Also towards the public - and thus towards our environment and our climate. Global warming is no longer a distant threat, climate change is happening now. In Switzerland, for example, the average annual temperature has already risen by 2 degrees since the beginning of industrialisation - twice as much as the global value. And our country continues to warm up: Switzerland is becoming drier, hotter, with less snow and will be struggling with more heavy precipitation in future.

In order to avert the climate crisis, global warming must be limited to well below 2 degrees Celsius and preferably 1.5 degrees Celsius, as stipulated in the Paris Climate Convention, which has also been ratified by Switzerland. To achieve this, global greenhouse gas emissions must be reduced to zero net by 2050.

The financial industry is under an obligation

It is no coincidence that the Paris Convention also makes the financial sector responsible. The financial industry has a major influence on how the energy supply of the future is structured and how quickly we make the transition to a low-carbon economy. Banks, insurance companies and pension funds, with their financing, insurance and investments, are now involved in deciding how many greenhouse gases will be emitted in the future.

A study by the Federal Office for the Environment (FOEN) in 2017 shows that current investments by Swiss pension funds and insurance companies support an average warming of 4 to 6 degrees Celsius instead of the 1.5 degrees envisaged in the Paris climate agreement.

And while around 50 million tons of CO2 are emitted every year within Switzerland's borders, the local financial center with its global capital investments in fossil fuels such as coal, oil and natural gas generates around 1100 million tons of CO2. This figure only refers to the assets managed from Switzerland, but not to the massive CO2 balance of the Swiss banks' lending business.

Climate Harmful Businesses of Credit Suisse and UBS

Greenpeace Switzerland pointed out last year: Credit Suisse and UBS provided a total of USD 12.3 billion between 2015 and 2017 for 47 companies that use particularly dirty, so-called extreme fossil fuels. These include coal, oil from tar sands, from the Arctic and deep sea, and liquefied natural gas (LNG).

These transactions have an enormous negative impact on our climate: From 2015 to 2017, the banks financed a total of 182.9 million tons of greenhouse gas emissions with the 12.3 billion US dollars. Two years after the adoption of the Paris Climate Agreement, the two major banks financed 93.9 million tons of greenhouse gas emissions through the 47 companies surveyed. That is around twice as many emissions as all players within the Swiss border cause in one year.

The ecological footprint of the two banks will, however, be much higher than the Greenpeace report. This was because only the climate impact of the financing of 47 companies in the extreme fossil energy sector could be taken into account. A high number of financed emissions must therefore be reckoned with.

Not least when you look at the following latest figures: The report "Banking on Climate Change - Fossil Fuel Finance Report Card 2019", published at the end of March this year by the NGOs Rainforest Action Network and BankTrack, reveals that Credit Suisse and UBS together provided around USD 83.3 billion to finance fossil fuels between 2016 and 2018. Broken down to the population of Switzerland in 2017, the climate damaging commitment of the big banks over the last three years corresponds to around 9800 US dollars per capita. That's more than any other country. The report examines 33 global banks and their financing by over 1800 coal, oil and gas companies worldwide over the last three years.

Instead of playing an active role in the transition to a low-carbon economy, Credit Suisse and UBS are firing up climate change.

Insurance companies are withdrawing from coal

The two Swiss companies Swiss Re and Zurich Insurance Group have, after all, taken the first important steps towards abandoning the coal business and assuming their climate responsibility. These efforts are reflected in a ranking of the world's 24 largest insurance companies in terms of climate protection. Swiss Re leads the field with the most comprehensive guidelines: The Swiss reinsurer no longer reinsures and insures companies that rely more than 30 percent on coal. The guidelines apply to both existing and new projects and to all business areas worldwide. Swiss Re also no longer invests in companies that generate more than 30 percent of their turnover with coal. However, the Group also receives good marks because the guidelines not only apply to coal, but also to tar sands and other extreme fossil fuels. Zurich Insurance ranks third.

Nevertheless, both Swiss Re and Zurich still have a long way to go if they want to withdraw completely from the fossil fuel insurance business and no longer invest in the sector in question. With their coal guidelines, they have taken a first important step in this direction; now it is important to use this positive dynamic for further climate protection measures. Greenpeace is in discussion with the two companies in this respect.

Not insurable - Not bankable

It is important that more and more insurance companies assume climate responsibility. Because of their unique position, insurance companies are able to accelerate and strengthen the necessary transition to a low-carbon economy. As risk managers, they play a discreet but essential role in deciding which projects can be implemented and operated in a modern society. Without insurance, for example, virtually no new coal-fired power plant can be financed and built, and existing plants must find new ways to manage risk or cease operations. If a project is not insurable, it is also not bankable. Insurance companies are also huge investors. Their decisions to support fossil energies or, on the contrary, environmentally friendly technologies are shaping the global economy.

The banks BNP Paribas and ING, for example, declared that they would no longer support tar sand companies in the future. The Royal Bank of Scotland, BNP Paribas and HSBC have again announced that they will no longer finance individual tar sand projects such as pipelines. The Dutch international financial services provider NN Group is also withdrawing from the financing of tar sand oil and the associated pipeline companies in Canada and the USA.

It's time! It's time!

The consequences of the climate crisis are becoming increasingly noticeable. It is time for our financial centre to assume its share of responsibility for a stable climate. Banks, insurance companies and pension funds must immediately stop endangering people and nature with their business. Companies exploiting coal and tar sands may no longer receive any financial support or insurance. It is time to finally stop the financing and insurance of climate heating and to make all business activities Paris-compliant within the next five years.



Susanne Hochuli

Susanne Hochuli has been Chairman of the Board of Trustees of Greenpeace Switzerland since September 2018. Greenpeace is an independent, international environmental organisation that has been campaigning since 1971 for an ecological, social and just present and future without resorting to violence. Susanne Hochuli fully lives by these fundamental values. In her private and professional life, she is committed to ensuring that we and our children can live in an intact natural and social environment. With Greenpeace, Susanne Hochuli tackles the causes: Many of our social and health related problems are due to environmental pollution, climate change and the exploitation of people and nature.

From 2009 to 2016, Susanne Hochuli was Green Councillor and Head of the Department of Health and Social Affairs of the Canton of Aargau. Last year, she took over the chairmanship of the Swiss Foundation SPO Patient Protection and founded the eco-social startup „weltweit essen“. The former organic farmer and hippotherapist is the mother of a daughter.

“As a cook my craftsmanship is my capital!”

Daniel Humm | Chef/co-owner of Eleven Madison Park New York City

In this interview with Daniel Humm, world-renowned chef and co-owner of Eleven Madison Park, learn why it takes ten months of experience to pour water properly and why the best decision Daniel has ever made was dropping out of school.



Honey and Lavender
Glazed Duck with Rhubarb
and Spring Onion.

Photo by Evan Sung

You are one of the best chefs in the world, is there something people wouldn't expect to eat?

That's a difficult question. At the airport, I treat myself to M&Ms from time to time. Whether or not this answers your question can only be decided by the reader. (laughs)

What's your favorite dish?

I like to eat a lot of things. For me, eating is a pleasure but also about health. I like to eat chicken out of the oven. I prefer to eat it from my mother or prepare it myself. I also love spaghetti with tomato sauce. Over the years, I've perfected my own recipe. For me, this means above all the right ingredients, i.e. the right olive oil, the right mixture of fresh tomatoes and canned tomatoes, the right pasta, etc. Privately and professionally I always try to bring the familiar, the simple, to a new level. Apart from that, I also like to eat fresh vegetables from the market, which I simply prepare in the steamer without a lot of spices. It tastes very good and is healthy. It also reminds you of how something tastes in its natural state. This gives me a basic understanding of the ingredients I use to cook.

You have repeatedly said that service is the most important thing for you. You claim it takes 10 months of experience to pour water properly and have a 97-page booklet for your waiters. You are also known for going the extra mile for your guests. What do you mean by that and what was the craziest thing you have ever done for a guest?

At Eleven Madison Park we always try to offer our guests an unforgettable service. For us, this means being attentive and listening to them. If there is a hint as to how we can offer this experience, we will of course be happy to do so. Our "dreamweaver" team, employees who are attentive and let such experiences become reality, help us with this. I don't know what the craziest thing we've ever done for a guest was.

Once our employees overheard someone say they had never eaten a hot dog from one of the many hot dog carts in New York. We then tried to make this experience possible for him and sent one of our employees out to buy one. We then included the hot dog in his menu, whereupon our guest enjoyed his first street food hot dog from New York at Eleven Madison Park.

Another time, on a snowy winter evening, we had a family from southern Spain as guests who had never seen snow before. We organized sledges and a chauffeur that evening to take the family to a place in Central Park where you can sledge. There are many such examples.

For a guest with relations to Switzerland, we decorated one of our private rooms like a chalet and served a fondue as one of the main courses.

When we became number one on the list of the best restaurants in the world in 2017, a friend wrote me a card with the note: "1st New York, 2nd The World, 3rd The Moon?". The next time he was our guest, we redesigned the lift in our restaurant as if it were a space shuttle. When we arrived on the upper floor with our space suit and helmet, we led him to the private room where we prepared a futuristic dessert with smoke and nitrogen.

Of course we can't do that for every guest, but we love such surprises and when we have the chance, we try to make it possible. We don't save lives with our restaurant. But we can make sure that someone remembers their evening in Eleven Madison Park for the rest of their lives.

With your expansion plans you work continuously on the expansion of your restaurants. Was there a moment in your professional life when you personally moved away from "How does this taste best?" to "How do I sell this best?"

I'm not quite sure, but I don't think so. Basically, you don't cook for yourself. If you don't have a reputation yet or are not yet successful, the most important thing is that the restaurant is full. That's why you have to make sure that you offer dishes that the guest likes to eat and for which, above all, he or she comes back. If you later have the appropriate platform, you might be able to devote yourself to the more creative dishes. In this respect, my philosophy has remained the same over the years: The guest must always be welcomed with a meal that he knows. That's how you build trust. Later you can take him on a journey and show him something new. The guest must feel comfortable for this. In every culture there are dishes that bring people together. We in Switzerland have fondue and raclette, in the USA it is the Barbecue, in China there is the Hotpot, in Japan the Shabu Shabu. It's an experience. For us, this also includes, for example, placing the bread in the middle of the table and letting the guests break it themselves. You don't say "It's hard to remain enemies if you've broken bread together" for nothing. Certain courses are served individually, while others are served in such a way that the guests have to reach into the middle of the table. This way, we create an environment where guests can talk to each other and spend three to four hours together, something that is somewhat lost in today's world. The guest will never remember every dish he ate with us. But he'll always remember how it made him feel.

The quality of a dish depends on many factors - employees, ingredients, equipment - what do you think is the most important "capital" to prepare outstanding food?

Two things, on the one hand quite clearly - and this will not be a big surprise - the ingredients are enormously important. They are the products of the soil and all the pride of the farmer who produced them. At Eleven Madison Park, we put a lot of effort into getting ex-

actly these products. We've hired three people only to take care of this, we send back products every day, we meet with the farmers and discuss the production process, etc. We also take a lot of pride in the way we're working. We will do everything to get the best products. On the other hand, as a cook my craftsmanship is my capital. I have to master my craftsmanship so well that I can prepare an unforgettable dish from very simple ingredients such as carrots or onions. This is the magic of cooking and, in my opinion, my greatest asset. It fascinates me.

Speaking of carrots, you are famous for the best carrot in town. Can you imagine to cook without meat in your restaurant and to offer only vegetarian food?

I've been thinking about that, I can't rule it out. Meat production in many places is extremely questionable and unsustainable. Because not enough good meat can be produced, mankind inevitably has to eat more vegetables. There's no way out of that, I guess. At Eleven Madison Park, we are now in a luxurious position to receive a lot of attention and perhaps even set a trend. People pay a lot of money to eat at our place and talk about what we offer. We are aware of this and this is certainly also part of the reason why we serve so little meat. But a less successful restaurant is in a different position. Those who only serve vegetables are more limited in pricing than those who serve meat. I'm not against meat at all. I am for better conditions in meat production. The guests must understand, however, that this has its price. Only very few are willing to pay CHF 150 for a main course just because the meat is sustainably produced. This requires society to rethink the status quo and people need to be educated. Through the great attention that is given to us, we understand ourselves a little in this role. But again, it also depends enormously on the restaurant. In Nomad, where we also serve breakfast, people want to see eggs and bacon on the menu. But you can't charge 40 CHF for eggs with bacon, nobody would want to pay that. There we are rather limited in our pricing power whereas in Eleven Madison Park, I believe the price sensitivity of our guests is lower.

You said several times that your kind of creativity wasn't encouraged at school. In eighth grade, you even dropped out of school. Today you are among the best chefs in the world and are extremely successful. Do you think our education system is too one-sided or even too little inclusive? What would it have taken you to better develop in school?

That's a complex question that I probably can't answer conclusively. Moreover, this seems to be very individual. Our school system didn't work at all for me. The school didn't succeed at supporting me the way it should have, and it didn't encourage my creativity the way I needed it back then. I find that problematic, because there are

many unique people who feel similar to me back then. I had a lot of luck in my career and have made it somehow in the meantime. But there are many people who had less luck and didn't make it. For these people, the same system doesn't work as for everyone else, and yet the school is basically the same for everyone. However, I can't offer a solution. For me it was the best decision to leave school after 8 years.

In 2017, after Eleven Madison Park was named the best restaurant in the world, they had to close their restaurant for several months due to renovations. In the list of the 50 best restaurants in the world, EMP was awarded 4th place in 2018. In your opinion, what made this difference and how will EMP develop in the future?

I'm an ambitious man. As a child, I was a cyclist in numerous competitions and I always wanted to win. If there was a ranking, I wanted to be at the top of the list rather than at the bottom. The list of the best restaurants in the world was of course no different. This list has not only helped us motivate our employees but on top of that also provided us with a goal on the often-stony path. That was a big advantage. When we made it in 2017 and were named the best restaurant in the world, we were of course extremely proud of our performance. Nevertheless, it has to be said that this title is very difficult to measure and for me it rather distinguishes the "restaurant of the hour" as the "best restaurant in the world". There are so many different restaurants and philosophies that are very good. In 2018 we were nonetheless surprised to make it onto the list, as our restaurant was closed for more than half a year. All the happier we were, of course, with the 4th place. I think it's good if there are always changes at the top. In this respect, there is one important change to the list anyway. Once you have been No. 1, you will be accepted into a kind of Hall of Fame and no longer take part in the ranking. This creates space for less well-known restaurants, which I think is a good development. We still strive to be one of the best restaurants in the world with Eleven Madison Park. We have not yet reached where we want to go and we still have many plans that we have started with the renovation in 2017. Winning the list of the 50 best restaurants was an interim goal, just as the three Michelin stars or the four New York Times stars once were. All this has given us is an enormous amount of self-confidence and it has shown us that we are on the right track. However, we do not rest on our laurels, but continue to take a lot of risk and work hard on our vision. We're constantly learning and improving.



Daniel Humm

Daniel Humm is the chef/co-owner of Make It Nice which is behind Eleven Madison Park, The NoMad in NY and Los Angeles, and the fast casual restaurant Made Nice. His cuisine is focused on the locally sourced ingredients of New York, with an emphasis on simplicity, purity, and seasonal flavors.

A native of Switzerland, he was exposed to food at a very young age, and began working in kitchens at the age of 14. From there he spent time in some of the finest Swiss hotels and restaurants before earning his first Michelin star at the age of 24. In 2003, Daniel moved to the United States to become the executive chef at Campton Place in San Francisco, where he received four stars from the San Francisco Chronicle. Three years later, he moved to New York to become the executive chef at Eleven Madison Park.

Over the course of Daniel's tenure, he and Eleven Madison Park have received numerous accolades, including four stars from The New York Times, seven James Beard Foundation Awards (including Outstanding Chef and Outstanding Restaurant in America), three Michelin Stars, and the #1 spot on the World's 50 Best Restaurants list in 2017. In 2011, Daniel and business partner Will Guidara purchased Eleven Madison Park from Union Square Hospitality Group, and the following year also opened the critically acclaimed NoMad. Since its opening, The NoMad has garnered three stars from The New York Times, one Michelin Star, and a James Beard Foundation Award. In 2017 he opened Made Nice, a counter-service restaurant located in the NoMad neighborhood and the second location of NoMad in Downtown Los Angeles in 2018.

Together with Will, he is the author of Eleven Madison Park: The Cookbook, I Love New York: Ingredients and Recipes, The NoMad Cookbook and Eleven Madison Park: The Next Chapter.

The Mona Lisa is not a great artwork

Prof. Dr. Magnus Resch | Founder of the Magnus app

What makes an artist successful? It's the network she is in. Multiple dependencies govern how the art world places value on an individual work. This changes how we understand what great art is: The artwork doesn't matter, it's the network.

"SAMO for the so-called avant garde" was inscribed in block letters on a door in an alleyway in Manhattan. The artists responsible were Ai Diaz and Jean Michel Basquiat, a pot-smoking collaborative who developed the SAMO tag as a contraction of "same old shit". One of the two, Ai Diaz, had a strong reputation for graffiti art and was the better known. Ai who – you might ask? If you have never heard of him, you are not alone.

Basquiat and Diaz are a striking example of how two talented artists, of similar age and background, can soar or stagnate despite producing virtually indistinguishable work. Basquiat went from homeless teenager to A-list artist in under two years. In 2017 one of his works sold for a record-breaking \$110.5 million. Diaz, on the other hand, exhibited in October 2018 in a small pop-up gallery on Great Jones Street in Soho, New York. His works are priced at \$6,000.

How do we explain Diaz's and Basquiat's divergent trajectories? They differ in one essential aspect: Diaz was a loner, Basquiat a networker. Basquiat was the one who went up to Andy Warhol and sweet-talked him into buying one of his postcards. He made it his business to befriend Fab5Freddy and shared a studio space with him. And he wooed Diego Cortez who put him in a group show with works by Mapplethorpe, Haring and Warhol. Soon, his name was all over the downtown scene. A handful of dealers took notice, they bought some of his works, et voila – Basquiat was made.

I argue: Nobody can assign value to an artwork simply by looking at it. All types of art, whether poetry, sculptures, novels, dances, or paintings, are essentially priceless. What gives art its value is a powerful network of curators, art historians, gallery owners, dealers, agents, auction houses

and collectors. This inner circle doesn't only determine the works you and your children will see on museum walls—it defines what will break records in the sale rooms.

Clearly, this is a provocative statement and most art historians won't agree. They argue in long essays with words I don't understand that Basquiat is the most significant painter of the 20th century, his colorful paintings inspired countless artists and produced a step change in contemporary art. I do not disagree: I like Basquiat and I have always been drawn to his works. But I also met Ai Diaz a while ago, and was struck by his art that plays with letters, colors and mediums. And by his modest price tag, given that his former partner is the superstar. Intrigued, I started an analytical experiment, using not art history books, but data.

Over more than six years, my team of 45 people have compiled a database recording the careers of roughly half a million artists. It contains hundreds of thousands of exhibitions at more than 20,000 galleries and museums. It also includes information about almost 10 million artworks offered and sold at auctions and galleries. Eventually, we had so much material that I reached out to Laszlo Barabasi and Sam Fraiberger, both leading network science researchers at Harvard and Northeastern, to work with me on the data.

The outcome of our effort is a map that unveils the secret network of art institutions and their power. Essentially, it captures how art moves around the world and how institutions are linked by the artists they exhibited. We ranked each institution based on the "centrality" of institutions, a mathematical concept drawn from Network Science and also at the core of the Google search ranking algorithm. We discovered that, among a large number of fairly ineffective institutions, one hub stood out as truly transfor-

mative: New York's MoMA, Guggenheim, Gagosian Gallery, and Pace Gallery, followed by Metropolitan Museum of Art, Art Institute of Chicago, and the Whitney – all American and most in New York City. An exhibition at one of these is a guaranteed ascent to fame and headline prices. It is the definition of artistic validation. This is "quality art".

It was devastating to unfold this map. 99 percent of all institutions scored low and there was only one route to success. If you are not part of the one central hub, you are stuck in an island network, where artists can achieve limited success by collaborating and displaying at the museums and galleries but are unlikely ever to cross a bridge to the mainland to reach the highest level of stardom. No more than 240 artists who began exhibiting low were able to enter the central hub. That's 240 of 500,000!

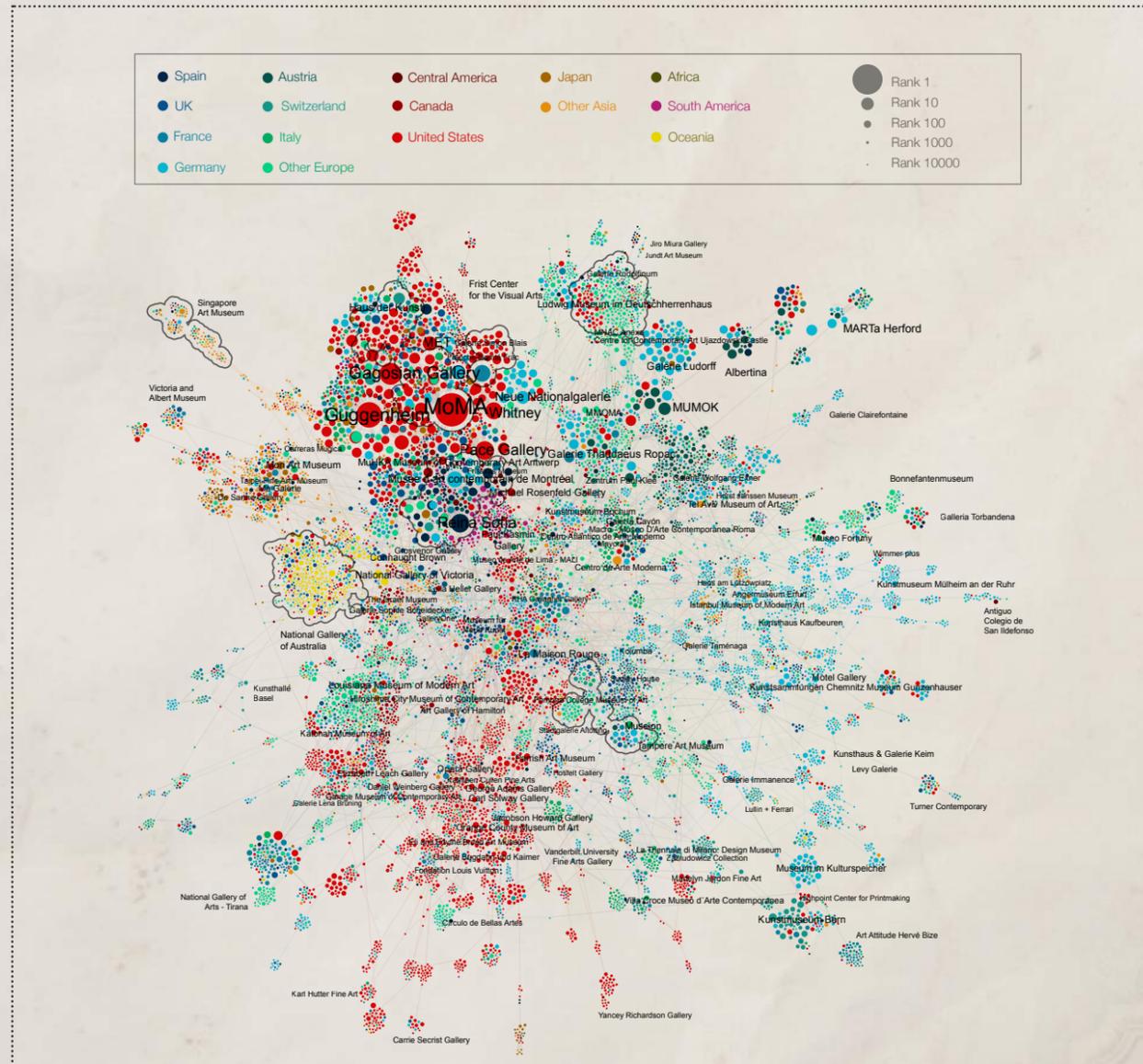
Chances to make it as a gallery are equally low. Most galleries show island artists, so findings from my previous research were confirmed: galleries are in bad shape - 30% run at a loss, with a further 55% making less than \$200,000 revenue. Only a few galleries make the big bucks - they are the ones in the central hub.

There is no better place to see this network in action than the floor plan of Art Basel in Basel. The central hub is located on the ground floor, when you enter to the left, with Gagosian gallery at the center of all the influential players. The further away you are, the more remote your island. The booths for the young and emerging galleries are squeezed into corners on the second floor, out of sight of the ground floor elite. They are here only to entertain the big guys - like clowns, with no chance to ever make it to the main act.

Can this undemocratic and impenetrable structure be broken? I don't think so. Success in the art world is a feedback loop, and those on the inside do not gain from disrupting the status quo. If a collector pays a million dollars for a piece of art, it's in everyone's interest—collector, artist, gallery—for the work to at least hold its value. Nor are the museums excluded from this cabal. The same collectors who bought the piece sit on the museum's board and will most likely donate the work to the museum, which then attracts visitors, media attention, sponsorship money, and donors at all levels. And the fairs? They are doing everything to further enhance this vicious cycle – keeping emerging galleries small. Or has Art Basel changed its floor plan recently to put young galleries next to Gagosian? Instead they lowered the cost for younger galleries to participate – from very very very expensive to very expensive. Little room, hence, for artists or galleries to move up the ladder.

While this tight structure might be bad for artists, it's good for investors. Like fortune-tellers, we can predict the fate of almost any artist from whether they were starting out at the periphery of the network or at its heart. If we use their first five exhibits as input, the patterns of where they would show next are so predictive that we can map out their trajectory decades into the future. The common belief that the community will sooner or later "discover" an artist is simply wrong. Moneyball for the art world has long been a dream. It has finally arrived.

Why did our predictions work so well? Precisely because performance in art can't be measured objectively. Since there is no way of establishing that any work of art is truly better than another, the network takes over, establishing value. Value in art is in the network. Any work, from the Mona Lisa to Basquiat's Untitled, is garage sale material without it.



Magnus Resch

Magnus Resch is considered the most disruptive thinker in the art market. He is a Professor for art economics and founder of the Magnus app, which works like Shazam for Art. Leonardo Di-Caprio is his investor and advisor. Magnus lectures art management at Columbia University and the University of St. Gallen. He is author of five books on the art market. In December 2018, Magnus published his paper "Quantifying reputation and success in art" in Science, the world's leading academic journal.

The Future of Healthcare

Maneesh Juneja | Digital Health Futurist

When it comes to the future of health, we face enormous challenges ahead. Aging populations, the rising cost of care or even the fact that not everyone has access to care. Most people believe that healthcare is how we deal with those challenges, and that studying medicine at university and becoming a doctor is one of the primary paths towards being part of the solution. Emerging technology is turning that view on its head. Whether it's artificial intelligence (AI), 5G, or blockchain, there are new possibilities to make an impact on people's health, without needing to be a doctor and without even needing to work within the healthcare sector itself.

70

Take the bold proclamation made in the recent State of AI report from UK based Venture Capital firm, MMC Ventures, that said "Health & wellbeing is a focal point for AI entrepreneurship; more start-ups focus on the sector than any other. In the coming decade, developers will have a greater impact on the future of healthcare than doctors." Consider that paradigm shift, that a software developer may save more lives than a doctor over their lifetime. What does that mean for the students of tomorrow who are considering their career paths?

We can already find examples where "health" is being impacted by companies that are not part of the healthcare sector. In Japan, whose population is not just aging, but also shrinking, power companies are trying to make a difference by using their systems as health monitors in the home. If an elderly customer's electricity usage has stayed static for the past 5 hours, could this be a sign that the customer has fallen over and needs help? The big tech giants, both in America and China have already earmarked health as the next frontier for them. The German pharmaceutical company, Merck, has just signed a strategic collaboration with the Chinese tech firm, Tencent, to provide more accessible healthcare services via digital platforms in China. Apple who most people associate with the iPhone, has already dabbled in Health, with their Apple watch. However, they have bigger ambitions. At the start of 2019, their CEO, Tim Cook, proudly stated, "If you zoom out into the future, and you look back, and you ask the question, 'What was Apple's greatest contribution to mankind?' It will be about health."

There is an acceleration in the number of start-ups in the health and wellbeing space, many of which have been set up by people who are not doctors, but by entrepreneurs who are so frustrated with the pace of change in healthcare, they decided to try and fix it themselves. Ada, founded in Germany, is a personal health guide that aims to put free, AI powered healthcare in everyone's hands. Headspace, one of the world's leading apps for meditation, has set up Headspace Health, a new division that aims to deliver the world's first prescription meditation app in 2020. In a few years' time, you could be sitting at home, having faced bouts of crippling anxiety, and you turn to the Ada app, enter your symptoms, and the app prescribes you a clinically validated Headspace app, which you then download and use, a case of software prescribing software. This is a hypothetical scenario I've postulated, but my point is that digital medicine has the potential to change the dynamics of healthcare in so many ways.

It's not just companies that are leading this change, it's patients themselves. The democratisation of technology, the prevalence of smartphones and the frustration with the slow pace of change has compelled patients around the world to design solutions for themselves and their peers, rather than wait for the healthcare system itself to bring a solution to market. Patient innovation, based in Portugal, is "an online platform where patients and caregivers around the world connect to share and create solutions they developed themselves or had the help from collaborators to cope with a health-related problem." Look at

71

the story of Roeland Pater, from the Netherlands, who has been living with Crohn's disease and decided to embark upon the journey of building a chatbot to help himself and millions of others around the globe living with the disease.

These examples point to a dramatically different future, where the change doesn't just come from the healthcare system itself, but from anyone, anywhere, anytime. This is both frightening and exciting, depending on your perspective. I believe that improving our health will require people across society to collaborate and work together to find innovation solutions to problems. Whether it is different government ministries working together on new policy for smart homes that can track our health in real-time, or students prototyping the next big breakthrough at a health hackathon, we need to remain open to where new ideas can come from.

How do healthcare professionals stay relevant as machines become smarter? This is a controversial topic, especially as machines can do more and more tasks currently done by humans. When will AI exceed human performance? This was the title of a research paper reporting results of a survey of AI researchers around the world. One of the forecasts was AI working as a surgeon by 2053, and AI being able to automate all human jobs within 120 years. The advances in AI research are frightening for some, and exciting for others. A more balanced vision of AI in medicine is held by Dr Eric Topol, whose latest book "Deep Medicine" talks about AI giving physicians the gift of time with their patients, because the technology takes on more of the administrative tasks that physicians are currently burdened with. Maybe this could help reverse the trend of physician burnout? Only time will tell.

72

Much of the research in AI is about improving the way patients get diagnosed. Deepmind is one of the pioneers in AI and has been working with London's Moorfield's eye hospital on algorithms that can detect eye diseases with the same accuracy as any leading eye specialist. It looks like they may be close to bringing a new product to market that, ushering in a new era. A future where a doctor not using AI to augment their diagnostic capabilities becomes a rarity.

However, practicing medicine is about more than just making an accurate diagnosis. I believe one of the problems at the moment, is that some people are painting a picture of the future where algorithms, big data and virtual assistants can help tackle any problem in healthcare. A future where the algorithm knows best and those in charge of the algorithms wield immense power, with little or no accountability, should something go wrong. Some policy makers are taking steps now to get people thinking about the choices they make when developing this technology. For example, the UK government recently published a code of conduct for data driven health and care technology.

Patients, and their families, have for so long been seen as passive recipients of healthcare, where the doctor (or the system) knows best. This is slowly shifting, from system centred care to person centred care, and technology, in part, is helping to enable this shift. Whether it's apps that allow people to book doctor appointments online to smartwatches that also act as approved medical devices and can track blood pressure/heart rhythm, saving a visit to the hospital. As connectivity grows, this concept of a living room hospital may grow. These changes will impact society in ways we are probably not even considering right now. Consider a small town, with a higher proportion of residents aged above 65 than the general popu-

lation, many of whom have given up their driving licences and rely upon public transport and local taxi services for getting to/from the hospital for their appointments. With the growth of remote patient monitoring, it's great if those older people don't need to visit the hospital as much as today, but the decline in visits would also impact the bus and taxi companies who will see their sales tumble due to lower demand.

I live in the UK, and the National Health Service (NHS) here has recently launched an app for every patient that enables them with their phone to book appointments, order a repeat prescription or even view their medical records. This is already transforming the role a patient plays in their own care, and I'll share my own experience. I had to visit urgent care at my local hospital for a knee wound. Now because of the challenges of interoperability, many computer systems in healthcare don't talk to each other, and so that hospital does not have access to my electronic medical records. So when I was seen by the nurse, and she asked about my situation, I simply handed her my phone, and showed her the details of my last few healthcare encounters and the information recorded in my medical records. She was shocked, and exclaimed, "You're so organised!"

A lot of people are hopeful that we will either be able to detect diseases earlier in the future or have a more successful approach to preventing disease. Imagine a future where your smart speaker that you talk to and request the weather and news every day, also has the ability to analyse your voice data and determine if you have early signs of Alzheimers Disease or Parkinsons. It sounds like science fiction, but researchers are working on algorithms right now that might make this a reality at some point in the next couple of decades. Not everyone is excited about this scenario, as these smart speakers have been developed by big technology giants such as Google and Amazon. On the face of it, these new possibilities sound like they could help so much, yet are they ethical, fair and transparent? Big technology companies already know so much about us, but do we want them knowing about our health as well?

Health researchers are always trying to find ways to build larger databases to test hypotheses and to discover new patterns that might explain why a particular drug doesn't work for everyone or how a disease progresses once someone has been diagnosed. Imagine if we could build a dataset that was global in scope and had data on a billion people around the world? Think about the power of that dataset to advance scientific discoveries in human health, if it were collected, maintained and used in a fair, transparent and responsible manner. What if I told you a dataset like that already exists? You may even be part of it, it's called Facebook. Maybe you think that the data that we share with Facebook when we use it has no value for improving health? I'm afraid you are mistaken in that belief. Facebook is using AI to detect signs of a user thinking about suicide, just by the machine scanning through everyone's posts. Note that this feature is not deployed within the EU due to GDPR. In my opinion, Facebook, a social media platform, has built the largest health dataset that has ever existed. This is why we need to think critically about technological developments and think beyond what the label on the product says.

Going back to start-ups, so much capital is being poured into Digital Health start-ups. Rock Health's report mentions investors putting a total of almost \$8.1bn in the US sector, without a robust exit market. They don't believe that there is a bub-

73

ble. There have been success stories, even in Europe. Take for example, mySugr, one of the leading mobile diabetes platforms, and a start-up founded in Vienna in 2012. They got acquired by the Swiss pharmaceutical giant Roche 5 years later for \$100m. The Theranos saga in Silicon Valley has got people being much more diligent when investing in start-ups that promise to disrupt the world of healthcare. Theranos was a blood testing start-up, founded by Elizabeth Holmes, and they raised more than \$700m fraudulently from leading investors. It's a reminder that healthcare is a complex industry and we can't just insert new technology into it. The science has to be robust, the evidence needs to be generated and most importantly, we need clinical validation to demonstrate that they work!

Additionally, are we as a society investing in solutions that will help as many people as possible, or are we focused on helping the privileged few? One of the concerns is that roll-out of these new products and services will increase social inequalities in health and that not everyone will benefit from

this revolution. It's a valid concern. This is why it's imperative that when we design new products and services, we design with people, and not for people. We need to design to be inclusive. We have an opportunity to close the gap between the richest and poorest in society, let's not squander this chance.

Whilst it's critical that the digitisation of healthcare meets the needs of people today, we also must be mindful of investing in the future. The most frequent users of healthcare are often the oldest members of society who are living with multiple long-term conditions, grew up in an era before computers were commonplace, and may not even have the resources to afford smartphones, tablets and data plans. However, if we want to build a foundation today which allows us to cater to the needs of patients tomorrow, what choices will we need to make to ensure our systems are agile, flexible and resilient enough so that we can cope with whatever challenges the future may bring? Consider the results of a survey by Roche UK in 2018 on "Aspirations for

the future of healthcare in England" where 63% of Generation Z (aged 16-24) said they would be comfortable with receiving a diagnosis via communication with a chatbot. Another survey, Ericsson Consumer Trends, which had asked urban smartphone users around the globe, found that 50% of those using virtual assistants think that their smartphones will soon be able to understand their emotions. 57% would want a smartphone that knows when they are becoming ill before they notice it themselves, and 43% would want a virtual assistant that decides when they should visit a doctor! Naturally, what people say they want in a survey may not reflect what they actually need, but these trends are important to track, because they are sending a signal. People in society may be much more willing than we think to experiment with new models of care. There are huge implications as individuals in society, whether healthcare professionals or patients, with ceding more control over decision making to machines, and our sense of agency over our own lives. In the quest for healthier populations, what will it mean to be human when one day, you

are celebrating your birthday at home, and your smart home knows you've consumed more than the recommended daily units of alcohol, and locks the fridge as it knows you intend to open it and grab another bottle of wine? Will these digital nudges as we live, work and play make healthcare sustainable but remove the joy out of life?

There are so many questions about the future, and many leaders today feel like emerging technologies are reshaping society faster than they would like it. Where some see problems, others see opportunities. We know deep down that we can't keep doing things the same way we have always done them. We know that change is needed across society, not just in healthcare itself. We know that new ideas are difficult to find. This is why we need students, who have the courage to look at the world through a different lens. Students who imagine a very different world in the 21st century, a world in which everyone has access to healthcare, a world in which we use technology to reduce social inequalities in health, a world in which we achieve the impossible.



Maneesh Juneja

Maneesh Juneja is a Digital Health Futurist who explores the convergence of emerging technologies to see how they can make the world a healthier and happier place. He looks at these technologies in the context of socio-cultural, political and economic trends, helping organisations to think differently about the future.

Founding a business in Switzerland

Andri Silberschmidt | President of Jungfreisinnigen Schweiz

Andri Silberschmidt is not only a fund manager, but also president of the Jungfreisinnigen Schweiz and co-founder of the company “Kaisin - poké bowls and more”. The part-time student at Cass Business School in London is therefore very familiar with the many obstacles of founding a company.

Starting a business can be varied, but it usually has four characteristics in common: courage, willingness to take risks, capital and ... a lawyer. In our case everything was a bit different, because we tried out our idea with a pop-up concept before founding a company. A restaurateur provided us with his infrastructure (both physical and legal) so that in the summer of 2017 we could test how Poké Bowls (sushi salads) arrive in the city of Zurich. Right from the start, we didn't need any legal know-how, but primarily a good idea and good marketing. After four months the pop-up was over, we earned 20'000 CHF and could dedicate ourselves to the foundation of a GmbH.

We went to the start center in Zurich and got some advice. One thing quickly became clear: you have to found the own company by yourself. So lawyers from our circle of friends helped us draft the documents for the notary's office and trustees helped us draft the bookkeeping. This whole process seems to be very logical and self-evident - once you have gone through it yourself. My tip to everyone with big ideas and little experience: talk to people who have this experience. Also important was the correct insurance of employees and payroll accounting according to applicable collective agreements. Industry associations can be a good help here, but unfortunately digitization is not yet the answer. I remember how many documents we still had to fill out by hand and submit letter post. Why can't the whole (!) founding process be digitised? This would require cooperation between the notary's office, the commercial register, the social insurance funds and the industry associations. It would make the work of the founders easier and they could focus more on their ideas than on bureaucracy.

In order not to be exposed to the danger of reporting only subjective experiences, I have exchanged ideas with the location promotion agency of the Canton of Zurich. Topics which employ young companies are, in particular, work permits, other permits, financing and (less expensive) space. In fact, as a small company it is not easy to recruit workers from outside the EU, as there is still a quota system in place. A number of preliminary checks and proofs are required in order to hire a talent without the right passport. There are efforts in parliament to introduce so-called „start-up visas“ so that students from abroad can stay at Swiss universities after completing their education. In some places, the current licensing practice is also outdated. In a city, for example, it can take half a year before a change of use of a commercial property is approved. An unauthorised billboard outside the shop can also quickly become a disaster. Particularly in the area of construction, it would be good for SMEs if the processes became faster and simpler. This also includes simplifying the temporary use of vacant office properties, as I called for in the Parliament of the City of Zurich.

Despite the construction sites listed, Switzerland is still a country full of founders. Every year, some 40,000 new companies are founded, most of them in the creative industries (6300), cleantech (5500), ICT (1900) and finance (1400). The public sector also strives to maintain a functioning ecosystem and, in addition to financial aid, provides much in the way of platforms and occasions for founders. Important private sector engagements include initiatives such as venturekick, the kickstart accelerator from digitalswitzerland, the growth fund of my employer Swisscanto Invest or the Impact Hub, to name but a few. Last year saw 230 financing rounds with over CHF 1,200 million in capital - both record figures for Switzerland.

This news should motivate us to be business-friendly in our own field of activity - be it at university, in business as an employee or company or in administration. In addition to le-

gal amendments in the area of labour law (keyword: Future of Work) and the law on foreigners (keyword: immigration from third countries), processes in particular must be renewed, simplified and ultimately completely digitalised.

Anyone who has a lot of capital today will have no trouble paying for the expenses of a legal advisor, a trustee, an architect and other experts. However, an ecosystem is only strong if courageous entrepreneurs without capital have the opportunity to build it up with a good idea and later scale it up with good conditions thanks to growth capital. In order to uphold the „from dishwasher to millionaire“ saga, the threshold to implementing an innovative idea must be as low as possible. For only if the accumulation of capital is „simple“ do we have a high level of social mobility and a lively society.



Andri Silberschmidt

Andri Silberschmidt is 25 years old, investment manager, politician and entrepreneur. He began his banking apprenticeship at the age of 15 and is now responsible at Swisscanto Invest for the management of all quantitative equity funds that invest in developing countries. He holds a BSc in Business Administration (Dean's List) and an MSc in Global Finance in 2019. Last year he founded a Poké Bowl & Sushi Burrito Restaurant with friends, which currently operates two branches in Zurich. Andri Silberschmidt has been politically active since 2011 and has been President of Jungfreisinnigen Schweiz since 2016. He was recently elected to the Parliament of the City of Zurich for the FDP.

“The financial sector in Switzerland is healthy and well capitalised”

Mark Branson | CEO of the FINMA

Mark Branson has been a CEO of FINMA since 1 April 2014. The British-Swiss dual citizen and former investment banker is confronted with a dynamically changing Swiss financial industry. He comments on the state of the Swiss Financial sector and explores on regulation for sustainable investing.

Mark Branson, you have been CEO of FINMA for five years. How has this institution changed over the course of your employment and how do you plan to shape it in the future?

I have been at FINMA almost since its start ten years ago. Born in the financial crisis, FINMA needed to find its feet rapidly, and has since grown into a respected, robust and independent institution. Having the chance to take over the reins five years ago was of course a great privilege. But it enabled me rather to continue the course we were already on than change direction: delivering ever more professional, direct, risk-oriented and credible supervision.

After the financial crisis we saw a tremendous amount of new regulation introduced in Switzerland but also on a global scale. Over the years, Finma has expanded significantly, from 328 full-time employees in 2009 to 534 in 2017. Is this an indicator of over-regulation in the financial industry?

No, the targeted increase in our resources in the four years after the crisis was necessary, independent of the changes in the regulatory environment. It was more a matter of learning from the lessons of the financial crisis. Supervision before the crisis was not sufficiently direct and was understaffed for the scale of the challenge. Expectations of supervisory authorities rightly increased following the crisis, worldwide. Supervision could no longer credibly be carried out as desk work or devolved to audit firms. This meant that growth was necessary at first – more but also more experienced staff. Since 2014, staffing has been stable. We need to realise efficiencies ourselves to invest in combatting new and emerging risks.

Switzerland has the potential to become a major player in the FinTech ecosystem. However, this requires innovative and dynamic regulation. Yet in recent years Finma has shown a rather pragmatic approach by acting on a case-by-case basis. Where does FINMA stand on FinTech companies and where do you see major challenges for Finma in adapting to these innovative business models?

Innovation is important for the future of our financial centre. New technologies offer new chances here. On the one hand, we try to make sure that innovators do not fail to succeed due to unnecessary regulatory hurdles. One example of this is the introduction of the new FinTech licence, available since the beginning of 2019 and which we initiated. On the other hand, however, we systematically take action against business models that attempt to circumvent the law under the guise of innovation or new technologies. Let me put it like this: FINMA says “yes” to innovation, but “no” to financial crime.

Do you observe an increasing cyber threat level to the financial sector due to technological innovations, e.g. digitalisation within banks or FinTech companies in general?

We view cybercrime as the top operational risk for the financial industry. As you say, the risks are increasing as a result of digitalisation. Increased outsourcing also plays a role here. Overall the banks and other financial market players seem to be well aware of the risks. For obvious reputational and financial reasons it is in their own self-interest to manage these risks. But this does not mean that they are all equally well prepared. In some cases IT infrastructure is outdated. We as FINMA have increased the intensity of our supervision in this area, have recruited specialists with the necessary expertise and will allocate still more resources going forward. We must have the people who can ask the right questions and analyse and assess the answers, in this very technical area. But the risks do not only affect the individual financial institutions. They can affect the whole system. Switzerland needs a defence mechanism for dealing with cyber risks across the entire system.

Due to the recent low interest rate environment, many investors are seeking alternative investments. As a consequence, real estate prices have surged. Is this at all worrying given where we came from in the last financial crisis?

As you say, supposedly attractive investment opportunities are rare. This is encouraging more people to invest in real estate. We have seen extremely strong growth in mortgage lending. This amount has doubled

in Switzerland over the last 15 years! Initially we were concerned about the growth in mortgages for people financing their own home, but here growth was successfully slowed. In recent years we have turned our focus to investment properties, or so-called “buy-to-let”. Growth remains as strong as ever here: high levels of construction activity, high prices and also record-high vacancy rates. Just imagine a city the size of Bern or Lausanne standing completely empty. Overall it is a risky mix. We will therefore continue to focus on this area.

You used to work in banking and decided to move to a regulator. Has this experience at all affected the way your institution approaches banks and designs its regulatory endeavours?

In general, as a supervisory authority it is beneficial to have employees with industry experience who know the business. We rely on that for our direct supervision. To ask the right questions we need practical and not just theoretical experience and expertise.

You studied mathematics. Were there any specific factors that led you to pursue a career in finance and regulation as opposed to a career in academics?

At English universities – back then, at least – a student's choice of degree was not necessarily motivated by a desire for a career in a particular sector. Things were less cut and dried. It was about being interested in pursuing a specific subject in depth. It was about so-called “training for the mind”. The career thereafter was not predetermined by the choice of degree.

In your opinion, what are the most effective means of mastering the balancing act of ensuring security and stability in the financial sector and remaining attractive as a location for international financial institutions?

Firstly, security and stability are by no means incompatible with competitiveness. They can even be a competitive advantage, particularly for secure and stable Switzerland! It is difficult to say where the limits of this balancing act lie. It is clear that credible international standards provide a good point of reference today. As far as calibrating financial safety require-

ments is concerned, as a small economy with a large financial industry Switzerland has decided to err on the side of stability, and rightly so. Regarding the question of how in detail business should be conducted, Switzerland is comparatively liberal and very principle-based. Here we try to keep complexity as low as possible. But ultimately it is always a combination of factors that make a financial centre competitive. This goes beyond purely regulatory issues. And Switzerland has plenty of trump cards to play here.

For the last ten years we have seen continuous economic growth, yet recently an increasing number of financial analysts have predicted a downturn in the economy. How fit is the Swiss financial sector to overcome these challenges and where do you still see potential for improvement?

Fundamentally, the financial sector in Switzerland is healthy and well capitalised. But there are big challenges. Virtually all financial intermediaries – and this applies across much of the world – are negatively affected by the prevailing low or negative interest rate environment. But such challenges also make market participants fitter. The scarcity of investment opportunities and tendency towards overheating if interest rates remain low is one issue. The potentially turbulent consequences of an exit from the low interest rate environment are another.

Banks in the Swiss financial sector, and primarily our systemic banks, have been in the focus of foreign authorities for some time, most recently UBS in France. How does Finma engage in this dialogue with the management of the accused banks?

Here we are dealing with legacy issues from a time when cross-border wealth management operated under very different circumstances in Switzerland. But a lot has changed – just think of the automatic information exchange between tax authorities. However, we do of course monitor closely how institutions are dealing with these kind of legacy issues.

Will Mark Branson ever return to a financial institution as a board member or CEO?

There are no plans to do so. I am completely focused on my current role.

Larry Fink recently predicted that within five years everyone would calculate the value of a business through its impact on society, politics and the environment. Do you agree? And do you think a shift away from traditional, financial valuation methods would be at all possible?

If the question is whether political, regulatory or environmental risks are important in how a company is valued, then the answer is yes. Such risks can strongly influence a company's future growth prospects.

Many companies voluntarily publish a Corporate Social Responsibility Report. Should this be mandatory, and would it have an impact on the way companies engage in business?

Glossy reports can be fig leaves or a form of "greenwashing". I see more merit in identifying and disclosing sustainability-related risks in a structured way.



Mark Branson

Mark Branson (1968) has been Chief Executive Officer (CEO) of the Swiss Financial Market Supervisory Authority FINMA since 1 April 2014. He joined FINMA on 1 January 2010 as Head of its Banks division and was appointed Deputy CEO on 1 February 2013.

As CEO, Mark Branson takes overall responsibility for FINMA's operations. He also represents FINMA on various national and international committees, chairing the Swiss Committee on Financial Crises and sitting as a member of the Advisory Board „Future of the Financial Centre“. Since 1 November 2017, he has chaired the Resolution Steering Group (ReSG), and thereby become a member of the Financial Stability Board (FSB) Steering Committee. Mark Branson also represents Switzerland as a member of the Group of Central Bank Governors and Heads of Supervision (GHOS). During his time as FINMA's Banks division head, he was responsible for the licensing and supervision of all Swiss banks and securities dealers.

Before joining FINMA, Mark Branson worked at UBS from 1997 to 2009. His final role was Chief Financial Officer (CFO) of the Wealth Management and Swiss Bank division in Zurich, where his responsibilities included finance and risk control. Prior to that, he was country manager for Japan, as CEO of UBS Securities Japan Ltd. From 2001 to 2005, he was group communications chief overseeing communications and branding for the whole of UBS. Previously, he held various London-based posts within the UBS Group and, before that, the Credit Suisse Group.

Mark Branson, who is both a Swiss and British citizen, read Mathematics and Management Studies (M.A.) at Trinity College, Cambridge, and earned a Master's degree in Operational Research (M.Sc.) from the University of Lancaster.

“We are top of wood!”

Bruno Abplanalp | Chairman of the Board neue Holzbau AG

Bruno Abplanalp is the Chairman of the Board of Hidden Champion neue Holzbau AG in Lungern. The company is among the world leaders in the field of wood engineering and is expanding into new markets such as Great Britain. “Wood is the construction material of the future” and according to Bruno Abplanalp the neue Holzbau AG will continue to play a leading role in this.

84

When did it become clear to you that the company „neue Holzbau AG“ in tranquil Lungern in the canton of Obwalden has the potential to advance to become a leading force in the field of timber construction engineering?

Timber construction in Lungern has a very long tradition, as the first patent for timber element walls was filed by the brothers Gasser in 1916. Many wooden houses, kindergartens, school buildings etc. were built with the system from 1930 onwards. It was always clear to me that wood as a material has great potential in the construction of buildings. From the recruitment of employees from Interlaken to Lucerne, the Lungern site is a very interesting area for specialists. We want to play in the Champions League, this is only possible with good co-entrepreneurs who think like entrepreneurs and contribute their ideas.

You are regarded as a visionary in timber construction, what are the limits from your point of view? Is there a construction project that could not be realized with wood?

In the construction of buildings there are almost no more boundaries for the timber construction today, we already build skyscrapers up to 100m height and this is only the beginning. If we add all the environmental debates now and in the future, wood, which is always a renewable resource, will dominate building construction. However, the large viaducts in road construction with today's frequencies and loads are heavy and not cost-efficient to build with wood today.

You have opened an office in London, what do you think about different markets? Like Asia?

We are a small group in Lungern and must use our resources accordingly. London alone has more inhabitants than the entire country of Switzerland. It will take time to build up this market. The new Holzbau AG is the specialist in engineering wood construction and supplier of special wood components. There are around 1,000 wood-related architectural firms in the Greater London area - so we are only at the beginning of our trip to England.

Further markets will be added. At the moment we have beautiful projects in progress in Norway, and we were also able to supply beautiful wooden structures to Australia. The next market in which we would like to expand as niche players will be Canada.

Wood lives! To what extent must this be taken into account during the construction process?

Wood is a natural product with incredible characteristics: A lightweight material with great static properties, beautiful, comfortable, warm, harmonious, inspiring, activating and simply health-promoting. In timber construction, the client has process security through high prefabrication in controlled and air-conditioned production halls, cost and deadline security and a lifecycle approach.

In your opinion, which was the most challenging project and why?

There are three objects that spontaneously come to my mind: New construction of the competence centre for the Pilatus aircraft works in Bouchs with a free span of 52 x 200 m, two tennis halls on the Bürgenstock with a rhombic surface supporting structure, roof shape like a polished diamond and the new construction of the Matterhorn Glacier Ride „The highest 3S track in the world“ on the small Matterhorn at 3,821 m above sea level.

Which object are you particularly proud of and why?

The new school building in Sydney. Here the whole project was planned with Building Information Modeling (BIM). With Building Information Modeling (BIM), the physical building receives a digital twin. There,



those responsible can identify and solve existing problems in advance. This saves time and money. There was never an employee from the new Holzbau AG on site for a meeting. The transport of the special components in wood was shipped to Australia in large foot containers. The trip lasted about 3 months.

Your role in the new Holzbau AG changed recently. How do you intend to strategically align the new Holzbau AG and where do you see the company in 10 years?

During 2019, the structures in particular will be revised and adapted. Then we are involved in various interesting research projects in which new, forward-looking ideas are put into practice. Industry 4.0 will also be a major topic: What does this mean for the new Holzbau AG, where can or do we want to benefit from it? Together with the Department of Architecture, Wood and Construction (AHB) of the Bern University of Applied Sciences, we will submit a project to the CTI (Commission for Technology and Innovation of the Swiss Confederation) to help us introduce the digitalisation of industrial production in our company.

ferent types of wood extend the spectrum and application possibilities in architecture. In the forest grows a true miracle and supplies us the raw material sustainably, ecologically and always regionally renewable. For this we bind about one ton of CO₂ with each m³ of wood used. There is no other building material that only approximately possesses all these positive properties.

Wood covers the question of aesthetics by nature, so to speak. The functionality is given with the structure of the wood and with new traversing techniques. As a result, aesthetics and functionality go hand in hand in timber construction.

How do you see wood as an asset in a financial context?

The climate debates and the demonstrations of young people all over the world will certainly have consequences and will not leave political and economic variables untouched. It may well be that major climate issues will become investment products in the future, i.e. we invest in the future and our environment.

What makes the new Holzbau AG Lungern unique?

The new Holzbau AG accompanies its customers from the earliest stage (project idea) to the realization. We are the link between the builder, the woodworker, the carpenters, the architects and the engineers. We make sensible use of wood as a raw material.

We are TOP OF WOOD.

86 Do you see aesthetics or functionality in the foreground in timber construction?

Wood as a building material has a millennia-old tradition. Today, timber construction is more efficient than ever before. New processing and joining techniques have decisively increased the range of applications. With the development of the GSA® technology, the new Holzbau AG has achieved a leading position in fastening technology. Large spans, elegant arches and filigree structures are no longer a problem. Dif-

“Ultimately, the aim is to develop a corporate culture in which employees are intrinsically motivated”

Antoinette Hunziker-Ebnetter | CEO and founding partner of
Forma Futura Invest AG

Antoinette Hunziker-Ebnetter and her company Forma Futura Invest AG were among the first actors to invest exclusively in sustainable companies. However, the former head of the Swiss Stock Exchange and current Chairman of the Board of Directors of Berner Kantonalbank AG is not only a pioneer in this area, she also contributed to rethinking part-time employment as a C-Level employee.



Bruno Abplanalp

Bruno Abplanalp originally completed an apprenticeship as a carpenter. After various further training courses in management and engineering, he was appointed CEO of the new Holzbau AG in Lungern in 2010 after working there for 12 years. This year Bruno Abplanalp moved to the Board of Directors, where he holds the role of Chairman.

You studied at the University of St. Gallen. With what feelings do you think of your time there? Are there specific experiences that have remained special to you?

My study time was beautiful and intense. I worked part-time and therefore had to focus strongly during my studies and also rely on the information and manuscripts of my fellow students. I like to remember the intensive and valuable discussions with Professors Hans Christoph Binswanger and Franz Jaeger and my fellow students. We spent nights cooking and discussing with the latter.

You made the news when you started off as Chairman of the Board of Directors of BEKB and cut your own salary substantially. What were the reactions of colleagues (from the financial sector)?

It remained surprisingly quiet. Saying nothing is also a statement.

What is your stance on variable remuneration models? Do they address the employee's individual interests more than the long-term success of the company? If so, what remuneration models would compensate for this effect?

Yes, there is a danger of this depending on the design of the models and the defined objectives. The success of a company can only be achieved together. It depends on a great deal of factors, also on market development and therefore on luck. If, in addition to a fair fixed salary, additional remuneration ought to be granted, then it would make sense for all employees to participate in the success of the company relative to their fixed salary and to limit the variable component upwards. Furthermore, the appreciation of employees should not only "flow" in the form of money, but also in the form of respect, constructive criticism and praise as well as opportunities to develop. Ultimately, the aim is to develop a corporate culture in which employees are intrinsically motivated. An important management task is to set meaningful and appropriate goals.

As head of the Swiss Stock Exchange, you worked part-time. How was this possible and what were the major challenges you faced?

In order to work part-time as CEO, I had to negotiate 6 months. Otherwise I would not have accepted the position. It is important to have a clear attitude and the courage to say no.

As a part-time CEO, I took even more care to surround myself with an excellent team and to keep them well informed. In the case of part-time employees, more attention needs to be paid to communication.

The St. Gallen Management Model is generally perceived as a curse rather than a blessing, especially by assessment year students of the University of St. Gallen. According to them, it is too complex and not applicable in practice. In the past, however, you have been a proponent of the St. Gallen Management Bible. What are the strengths of the SGMM and how do you assess its practical relevance?

The integrated point of view is crucial for me. This has contributed to the fact that I do not see the company as an isolated body in relation to the environment and society, but that every company is part of a larger ecosystem that sustains life in the world and must therefore make a meaningful contribution to it. A company is in many ways dependent on the people and natural resources of the planet. The business, the project idea or the business plan must be considered from the point of view of all stakeholders.

The theory of the St. Gallen Management Model was important, but its application and practical tasks were also central. At the HSG, for example, I learned to reach a reasonable goal with limited resources in a short period of time, either alone or together with other people, while at the same time building up know-how and further developing myself. I have been using these skills every day since I started working in the finance industry over 30 years ago.

How would you describe the changes in your leadership style over the last few years and did the St. Gallen Management Model play a role in this?

My management style has not changed, it is cooperative and situational. I demand top performance from my employees, and this also applies to myself. I enjoy working with various teams. Fair communication is important to me. I exchange ideas with the knowledge carriers. In my first full-time position I was an option trader. I still fundamentally like this product. I like to think in scenarios and, together with my colleagues in management and the board of directors as well as the employees and customers, I want to generate new oppor-

tunities and develop meaningful solutions for our customers. As an entrepreneur, I enjoy the freedom to do so today, since as an employed manager I enjoyed less freedom in this regard.

You have rejected an offer from Goldman Sachs. What were the reasons for this? Did you regret not taking the offer at any point?

For me, the culture was the decisive factor. It was too hierarchical for me. In addition, the former trainees at 85 Broad Street in NY "adored" their superiors. I can't do that. In Switzerland we don't have "kings" and "emperors". I prefer a dialogue at eye level, thus, I have not regretted this decision. I am grateful to Goldman Sachs for leading my way into the options industry thanks to my part-time position with them. I still maintain contact with my former boss today.

You are co-founder of the waterkiosk foundation. How did this idea come about and how did you implement it?

When we at Forma Futura's wanted to know who could provide us with competent information on the technology and sustainability of solar systems, we came into contact with the Technical University of Rapperswil. From a sustainability point of view, it is relevant whether a solar system will last twenty years or two years, how much energy it supplies and which materials are used. The exchange with the professors and researchers at the Institute of Solar Technology gave us the idea of modifying a solar thermal system in such a way that pasteurisation takes place as efficiently as possible and biologically contaminated water becomes drinkable. We conducted initial tests with EMPA/EAWAG. A SOWADIS station, which was developed at the Technical University Rapperswil and produces drinking water for 500 people in schools, hospitals and villages, costs around CHF 5,000 as a single unit - so we began to set up a foundation that collects donations and now provides access to clean drinking water for around 100,000 people in northeastern Tanzania.

The University of St. Gallen, as many other universities, is home to a large variety of associations in which students can engage free of charge. However, this also requires time, which is not spent studying and there is a risk that the grades may suffer. What would you pre-

fer from an applicant, to have outstanding grades and no commitment to an association, or good grades and a commitment to an association? Why?

Clearly good grades and commitment during your studies. HSG students are characterized by their extracurricular commitment. If they no longer have the capacity for such activities in the future due to their scope of performance, they will lack important competences that are sought after in practice. The best decisions are made when economic, social and ecological aspects are taken into account. It is important to gain experience in all these areas. This is personally and professionally enriching.

What do you think about sustainability rankings for companies, whereby (commodity) corporations regularly rank at the top?

Sustainability rankings are important. But we have the responsibility to question them and develop them further in line with our values and requirements. That is why we at Forma Futura have developed our own approach. Every company, every pension fund and every investor must define for themselves what sustainability means to them and what criteria they apply. BEKB has also clearly defined what sustainability means and adapted the equity and bond universe accordingly.

With your company Forma Futura Invest, you offer an asset management service which exclusively invests in sustainable companies, without making compromises on the return on investment. Why don't all asset managers follow this path?

It takes time to develop sustainability analyses. That means more effort, not more money. This is already unattractive for many people. People need to be aware of how vulnerable our planet and therefore our livelihood is and that we must therefore be careful with all our resources.

Larry Fink recently predicted that within the next five years, a large proportion of people will assess the value of a company through its impact on society, governance and the environment. Do you agree? And do you consider a shift away from traditional, predominantly financial valuation methods at all possible?

Yes, I agree. That is why it is important to consistently internalize externalities. A company that pollutes the environment should have to pay for this itself. This then flows into the evaluation of the company or into the prices for the customers. It is not acceptable for taxpayers to have to pay for the compensation.

Traditional valuation methods are still important. However, they must be complemented by the internalisation of externalities and a look at the challenges (economic, ecological and social) of our time. Such an expanded view can lead to new business models or products/services that make effective contributions to the economic, ecological, social and cultural preservation.

You were one of the first women in a leadership position in the financial industry. What are the most effective ways to achieve this? Do you consider women's quotas to be the right way?

I am a liberal person and therefore fundamentally against quotas. But the process of promoting women takes too long. I am tired of hearing this because I have been working for over thirty years to promote women and men - both of whom are needed. That is why I am in favour of temporary quotas for women on boards of directors of listed companies. The board members are then responsible for promoting diversity in companies. The best measure is to promote diversity within the company itself, to consistently offer part-time positions - as BEKB does - and to provide regular further training as well as a role model so that women managers can be developed from within their own ranks. I look forward to the day when this question becomes obsolete.



Antoinette Hunziker-Ebnetter

Antoinette Hunziker-Ebnetter has been CEO and founding partner of Forma Futura Invest AG, an independent asset management company for private and institutional clients focusing on investments that are financially sound and promote a sustainable quality of life. Further, she has been President of the Board of Directors of the Berner Kantonalbank AG (BEKB) since May 2015.

Antoinette Hunziker-Ebnetter has over 30 years' experience in finance and risk management, a Masters degree in Business Administration from the University of St. Gallen (lic. oec. HSG), as well as a Swiss Banking School diploma. As a member of the executive board she was responsible for Trading and Sales at Bank Julius Bär & Co. until 2005. Prior to that, she was President of the Swiss Stock Exchange (SWX Group). In the mid-1990s, she was responsible for the development and commissioning of the Electronic Stock Exchange in Switzerland (EBS).

In addition to her professional activities, Antoinette Hunziker-Ebnetter is also committed to sustainability as co-founder of the charitable waterkiosk foundation, whose projects enable access to clean drinking water in underdeveloped countries.

Imprint

Contact	St. Gallen Business Review Guisanstrasse 19 CH-9010 St. Gallen Email: info@espritsg.ch	Publication Frequency	Semestral
Publisher	ESPRIT St. Gallen	Copyright	No part of this publication and/or website may be reproduced, stored in a retrieval system or transmitted in any form without prior written permission of the Publisher.
Editor In Chief	Milan Schéda	Subscribe	www.stgallenbusinessreview.com
Editorial Office	Cédric Abplanalp Lars Decker Magdalena Schönherr Niklas Zeller	Disclaimer	The author's views and opinions do not necessarily match the opinion of the St. Gallen Business Review. The St. Gallen Business Review does not assume liability for the content of the submitted articles.
Layout and Illustration	Patrick Buess, buesspatrick@gmail.com		

