

**ST. PETERSBURG INTERNATIONAL ECONOMIC FORUM**

**JUNE 20–22, 2013**

**The Global Growth Agenda**

**BUILDING SUSTAINABLE VALUE IN AN ERA OF EXTREME VOLATILITY**

**Panel**

**JUNE 21, 2013**

**09:45–11:00, Pavilion 5, Conference Hall 5.3**

**St. Petersburg, Russia**

**2013**

**Moderator:**

**Adrian Wooldridge**, Management Editor and Schumpeter Columnist, The Economist

**Panellists:**

**Kirill Androsov**, Chairman of the Board of Directors, Aeroflot JSC; Managing Partner, Altera Capital

**Borge Brende**, Member of the Managing Board, Managing Director, The World Economic Forum

**Kjell Morten Johnsen**, Executive Vice President, Head of European Operations, Telenor Group

**Dariusz Jacek Krawiec**, President, Chief Executive Officer, PKN Orlen SA

**Paul Polman**, President, Chief Executive Officer, Unilever

**Mark Weinberger**, Global Chairman and CEO-elect, Ernst & Young

**Front row participant**

**Vitaly Pyltsov**, Director, Russian Direct Investment Fund (RDIF)

## **Media presentation:**

Today's business leaders have countless reasons to prioritize risk aversion and short-term profits. There is lingering nervousness from the financial crisis; rapid and sometimes unpredictable regulatory responses; a shifting geopolitical landscape, related in part to prospering emerging markets; and a transformation in trade and capital and flows, which has contributed to volatile exchange rates and a decoupling of the dollar from the yuan, euro and yen.

Now, none of these challenges is expected to end soon, but even if they do, there are others to manage too: escalating unemployment, sovereign debt, social uprisings, and environmental degradation and resource scarcity in the long-term, to name just a few.

So how do leaders stop their own revenue protection blocks from also blocking? Agility and innovation, external focus, long-term thinking, and close relations with clients are needed to make the right calls on costs. How can companies make long-term vision as imperative as short-term survival when the CEO tenure of a public company has shrunk to six and a half years on average, and just four and half for the Fortune 500? In this era of ongoing and extreme volatility, we ask you to debate what it now takes to build sustainable value.

## **A. Wooldridge:**

Good morning, I am Adrian Wooldridge, the management editor and Schumpeter columnist for *The Economist* magazine, and we are here today to talk about building sustainable value in an era of extreme volatility.

I do not think any of us could doubt that we do live in an era of extreme volatility. It took 60 years for the television to go from a mere idea to being in the households of half the people in the United States. The same thing happened with the internet in 10 years, and it spread not just of course to the United States, but to every country, every developed and developing country in the world. People used to hold their shares for years; now many of them hold them for months or weeks or even days. Increasingly, they hold them for mere seconds. Increasingly, it is not just people who are trading in shares but computers and electronic devices. A decade ago, 'twitter' was a sound that birds made. Now it is

something that can ignite organized street protests, and it is something that certainly wastes at least an hour of my day every day. In 1979 China exported as much in a year as it exports in a day now. The professional life expectancy of CEOs has gone from about 10 years in the year 2000 to more like five years today. All of these trends – technological trends, trends in the organization of companies, trends in globalization and trade – are likely to be exaggerated in the next few years. I do not think we are going to see this period of volatility as a peculiar thing. It is going to become more exaggerated in the future.

But how, in this very volatile environment, do companies and individuals keep a focus on the long term? How do they build a sustainable advantage in this environment? How do they build brands and knowledge organizations? How do they develop the capacities of their workers? How do they invest in R&D? Does it really matter whether you focus on the long term? Is it not the case that the magic of markets works, and that by looking after the short term, we can let the long term look after itself? Is it not the case, in the end, that long-term profits are just short-term profits piled one upon the other?

We have a very varied, interesting and distinguished panel to look at this question. We have Dariusz Jacek Krawiec, the president and CEO of PKN, who is on his way as I speak. We have Paul Polman, the president and CEO of Unilever. We have Mark Weinberger, the chairman and CEO-elect of Ernst & Young. We have Kirill Androsov, the chairman of Aeroflot; Kjell-Morten Johnsen, the executive vice president and head of European operations at Telenor; and Børge Brende, a member of the managing board of the World Economic Forum.

I am going to ask each of our panelists to address this topic for about three or four minutes. Then I am going to ask them a few questions about what they have said. I would like to start off with Paul Polman of Unilever. Please address the question of how you build sustainable value in an era of extreme volatility.

**P. Polman:**

You said in your statistics that the average term of a CEO is five years, and I have been a CEO for four and a half years, so I am getting worried here. But I

actually read before that it was three and a half years and felt good about it, so it shows you what a change of paradigm can do in just a few minutes.

We call this, as you said, the changing world: it is volatile, uncertain, complex and ambiguous. That is really what we are dealing with. Never have changes been so fast, and never has the world been so volatile. There are obviously many different factors that play in this. I think, first of all, from a CEO's perspective, you need to be very well in tune with the world to figure out what is happening and what these trends are. Globalization has made it very difficult for individual governments to take any action, so you see a lack of decision-making on a lot of the global issues, such as in the Doha rounds, the WTO negotiations, the climate change negotiations, and the Rio+20s. This obviously affects business, because you need the frameworks to move things forward. The world is challenged by enormous issues. Although we have done enormously well in lifting a lot of people out of poverty, we have not quite figured out how to do this without enormous levels of public or private debt and overconsumption, and frankly, leaving too many people behind. More than ever, the world needs a global governance that has a level of responsibility at a higher level than currently exists. These things reflect on business, and business leaders need to think about them.

The second thing is that so many people have been lifted out of poverty, which is a good thing. The emerging markets, Russia included, are growing so well that there is an enormous stress on the planetary limits. In the next 50 years, we need to produce as much food as in the last 8,000 years. People do not realize that we are already using more resources than this world can replenish, and that affects business models. We cannot just continue living beyond our means because we will definitely be stealing from future generations.

The third thing is what Adrian referred to, which is that the world has become very connected, and increasingly, the consumer is in charge. I recently got an SMS from someone with a photo from Singapore showing the forest fires in Indonesia, which you can see on the other side of the sea in Singapore. When that happened a few weeks ago, in Beijing, for two days, the Chinese had the

most stringent air emissions standards for their cars ever. So consumers are in charge, and that is very important.

How does a company deal with the volatile environment? As I said, the first thing is to be aware of it. Many companies and many people are trying to wish these problems away. The first thing for leadership to do is to look the reality in the eye. If you do not understand the reality, it is very difficult to make real plans. The second thing is then to ensure that you do the right thing for the long term. Companies like Unilever have been here for 150 years, and they are planning to be here for hundreds of years more. We do not run our business on a quarterly basis; we run our business for the long term.

But in order to do that, you need to develop a deeper purpose. You need to have a strong purpose because that keeps you focused on the longer term and keeps you from getting side-tracked by all these little volatilities. In Unilever's case, we very simply said we could double our business because there is enough opportunity of creating wealth. There are still 2 billion people coming into this world. But we must do this in a way that we decouple our growth from our environmental impact and improve our social impact. That is tremendously motivating. As a result, we are preferred employers in many countries, we attract the best people, and we are building a business model that is actually very energizing, and in which we ourselves grow.

The third thing, no different from that, is to be sure you do everything for the long term. That does not mean the short term results are not there. I do not think they are in conflict, but you must make the right decision for the long term. It was very worrying for me when I read that 75% of US executives, according to a recent study, were willing to postpone the right decisions in the short term if it would affect their quarterly profits. Just think about that. It would be an absolute disaster if you ran your business like that for the long term, and is not surprising that many businesses do not survive in the long term. We abolished guidance, we abolished quarterly reporting, and we changed our compensation system for the long term, so that is very important.

If I summarize in the interest of time: look reality in the eye; be very focused on the long term and set an example in your own behaviour and the environment

you create for your company; and run your business with a deeper purpose that people can align themselves with. If you do these things, I think you are already better equipped for this volatile world than many other companies. Thanks, Adrian.

**A. Wooldridge:**

Thank you very much. Now Mark Weinberger, the chairman and CEO-elect of Ernst & Young.

**M. Weinberger:**

Thank you, Adrian. It is good to go after Paul, because Paul said a lot of things I would say. Maybe we will save some time.

I do want to pick up on your statistics. You said the five-year statistic is the life expectancy of a CEO; I hope you meant the 'work expectancy'! Paul said it really well: one thing you learn as a CEO in this environment is that you are not going to be in control. You have to be nimble. Things will change much more dramatically than you will anticipate. We are seeing whole new marketplaces open up. We will have 5 billion middle-class people by 2030. They will be in very different parts of the world than they are today, so you have to understand where the markets are shifting and how they are shifting.

In addition, since the financial meltdown, the government has been much more involved in everything we do, and our business operations are affected dramatically, whether it is in terms of austerity, or stimulus, or monetary policies, or tax changes, or trade rules. Everything affects business flow. We have more activist governments generally around the world today than we have had in a long time. Understanding where they are going and why, having relationships with them, and helping to educate them on the effects of cross-border trade are very important. All these governments are national; businesses are global. Understanding that in your relations is extremely important.

As we think about where the world is going and where the future demands are, as I said, we are going to see a different workforce in the future. We are going to see different demand centres in the future. Obviously the economic power shifts

will continue. Emerging markets will continue to have a vast majority of the future consumer opportunities. Much of the intellectual property will come out of that part of the world.

You have to understand in this day and age how to be a global organization that delivers globally but serves locally. That is incredibly important because you cannot get too far removed from your customer. You have to be on the ground. You have to understand the cultural differences. That does not mean just when you are executing; it means when you are making policy decisions, because people do think differently in different parts of the world. In the US, you are thinking about operational efficiency and how to improve your business model. In the emerging markets, many are thinking about experimentation, meaning it is all right to fail: "Try, try again." These are very different models of thinking. Getting a very diverse and inclusive workforce at the management level, at the top of the organization, and at the ground level is really important as we look forward to figure out where the world is going, and therefore where business needs to go and what we need to do to be successful.

The last point is training the workforce of the future. We do have very nationalistic tendencies lately because of the financial meltdown, but we have to serve. If someone wants to hire Ernst & Young, they do not care whether it is Ernst & Young Russia, Ernst & Young US, Ernst & Young Turkey, Ernst & Young Malaysia, etc. They just want a single-quality, high-end service that is consistent around the world. We have to have a workforce that understands how to serve different cultures, and that is an increasingly mobile workforce and an increasing use of global talent. As a professional service organization, we too have to look at our supply chain to have competitive pricing. It has traditionally been a manufacturing issue, in which you move your supply chain around. Unilever has probably done this forever. Professional service firms need to think about where they move people to lower prices and to improve their supply chain, quality, consistency, and methodology.

There are lots of changes going on in the world and lots of changes going on in business. Adrian, I will stop there.



**A. Wooldridge:**

Thank you so much. Now Kirill Androsov, the chairman of the Board of Directors of Aeroflot.

**K. Androsov:**

Thank you, Adrian. After Paul's and Mark's speeches, I could shudder. Even in a vastly changing world with this high volatility, there are a number of certainties like the sunset or the sunrise. This growth of the world's population means growth of the consumption of basic things like food, clean water, and energy, and these are the drivers that should be taken into consideration to build an opinion on one's strategy. It does not matter how I rank Ernst & Young or Unilever or Aeroflot or Russian Railways; these are the things on which the basis of the strategy should be set up.

Speaking about emerging economies such as Russia, Brazil, India, and Indonesia, there is one very important factor: the growth of the middle class. I believe that, for the time being and probably for the next 5–10 years, this is going to be major driver for emerging economies. It is growth of consumption of a higher quality of life.

Speaking about Aeroflot, I can say that even in 2009, when all the companies in the aviation industry on a global scale were faced with significant decline in aviation traffic, Aeroflot, thanks to the middle class Russian population, still had 12% growth. Many of the European companies would dream of this growth. Now, for example, for Aeroflot, our average annual growth is calculated at 22%, and it is one of the basic points of our strategy. These are the drivers that help build the strategy for the emerging market economies. Thank you.

**A. Wooldridge:**

Thank you so much. Now Kjell-Morten Johnsen, the executive vice president and head of European operations at Telenor Group in Norway.

**K.M. Johnsen:**

Thank you. I think it would be very helpful if we could make longer-term thinking a little bit more attractive, because if you have the ability to keep sustainability in mind when you make decisions, whether you are in politics or in business, that gives you a different manoeuvring space. We all know that businesses can make good deals in bad times. Obviously, share prices can go down and you can still make good investments. Also the government can take the basic Keynesian approach: in bad times, you invest in your public services to keep up the demand and keep people employed. It is a very important part of the fabric of society. If we look at the fundamentals here over the years, they are education, competence development, and productivity growth.

Over recent years, as the panelists have said, we have seen huge shifts in the economy. We see that production has moved out of Europe into developing countries. On the one hand, this is fantastic. It has lifted hundreds and hundreds of millions of people out of poverty, which we are extremely happy about, but that is not going to make life very nice for the person in Spain who is 30 years old and has never had a real job despite having a university degree. The lost generation that we have now is a huge issue for us.

I think what you are seeing, taking Europe as an example, is that productivity growth was pretty good from the 1970s to the new millennium, but over recent years we have seen that the model has not been sustainable anymore, and this has to be addressed. The government has not been able to take up the slack that has come in the financial crisis. Then we see that fundamental steps have to be taken. For governments, that means you cannot reduce the pension age when life expectancy is going up. That is very simple mathematics.

I think when you take the longer-term view, you have to look at how it coincides with the cycle of years: politicians typically have four years; for CEOs we heard five years. This perspective is pretty short. It means you are not so concerned about sustainability. You get focused on the short-term deliverables.

Now we all know it is naïve to think that governments can just hold back in good times so that they can invest in bad times, but at the end of the day, that is the responsibility that they carry when they get elected by the people. We also know that, for companies, it is very exciting to leverage our balance sheet in good

times so that we can give a lot of dividends and our share price goes up, but we need to be able to find that balance that gives us the opportunity to be contrary, because that is where the big upside is. The shifts that we are seeing now are making some great companies become dwarfs. I am not going to name any names, but we have seen them. They have given out big dividends, and they are not able to sustain them in the bad times. For a company like ours which derives 44% of its revenues from Asia, this is not such a big issue. There is quite a good balance there. But not every company has the opportunity to balance what happens in one region against another one.

I think the ability, the desire, and the courage to be a contrarian is great in business. For public policy, we need to adopt some of these same approaches so that we have the chance to invest in the education of children in bad times, and not only when we have a benign business cycle. Again, I would like to say: make the long term more attractive. Focus on sustainability.

**A. Wooldridge:**

Thank you so much. Now Børge Brende, who is the managing director of the World Economic Forum.

**B. Brende:**

Thank you so much. I think the last few days and the volatility in the market has reminded us that the challenges are not over in the global economy. We are not yet out of the woods. We cannot be complacent about the situation.

We are also seeing quite a dramatic reshaping of the world. We know that China, in Mandarin, means “the middle country” or “the middle kingdom”, and China’s importance as the second-largest economy and the largest exporter in the world is also growing. In the last few weeks, we have also seen some concerns that there is slowing growth in the emerging economies. We see China having to move from an investment-driven economy to a more consumer-driven economy.

The third-largest economy, Japan, has not been growing for 20 years. Abeconomics has been launched with great opportunities for future growth, but this does not come without risks. We know that the ‘third arrow’ is structural

changes, and the structural changes have to be undertaken to match the monetary and fiscal changes and initiatives that Abe is now undertaking. We know that things will not move without the largest market in the world, Europe, getting its house in order. This has to happen sooner rather than later.

At the same, I do agree with other panelists that politicians in general (since I have been one in my former life, I can say this with some authority) really do know what to do, but they do not know how to do it and be re-elected, and that is the challenge. I have to say that in the situation where so much is at stake in the global economy, we now really need to get back to the same kind of initiatives that we had in the autumn of 2008, after Leman Brothers fell. Then the world leaders came together and agreed on some actions, and it is now time to get together and agree on some low-hanging fruit that can support the global economy in the time when we are not out of the woods and we cannot risk being complacent.

I can give three examples: one is the trade side. We know that a successful Doha round would increase global growth and create millions of new jobs globally, and this deal is not happening. I think it is more important than ever to agree on a global pact about trade.

Secondly, we know that, in the European Union, the unemployment rate is at a historical high. We know that the single market can be strengthened. Why is there not agreement and discussion on introducing services also as part of the single market? We know that if you also made the services market a part of it, that would create extra growth, jobs, etc., but because some countries are a little bit more resistant and some unions are against it, there is no consensus on doing it. We are not in a situation where we can not do a global trade deal, and we cannot avoid also looking into a common market for services in Europe in that respect.

The third thing, also mentioned by Paul Polman, is on the climate change and energy side. We know that the cost of inaction is higher than the cost of action in the future, but still the response from many economies is increasing subsidies for coal. In some emerging economies, 20% of the state budget is now used on coal subsidies instead of investing in youth and in education, etc.

I think what is very good in this discussion is that we now have to look at the structural changes that are needed to also make sure that we will have future economic growth. We cannot simply rely on fiscal stimulus, quantitative easing, and historically-low interest rates. Now we really have come to a stage where global leaders have to take responsibility and look also at the structural changes that are necessary.

**A. Wooldridge:**

Thank you so much. Now Dariusz Jacek Krawiec, president and chief executive officer of PKN Orlen.

**D.J. Krawiec:**

Good morning. Building sustainable value in an era of extreme volatility is one of the most important issues that have to be faced by today's political and business leaders. On the one hand, this rightly describes the current situation. On the other hand, it focuses our attention on one of the crucial elements of rebuilding trust. Globally, we can still observe some economic, social, and political nervousness caused by recurring crisis effects, such as growing unemployment rates, an unsatisfactory economic recovery pace, and so on. Many questions should be answered in order to understand how to build a new model for a sustainable economy, but the foundation of this new model, in my opinion, should be trust and transparency.

One thing that was mentioned by other speakers is that we all have to remember that emerging markets will be the centre of world trade in the years to come. This process can bring wealth to the new economic equilibrium. In 2010, emerging markets consumed one-third of the world's products (USD 12 trillion out of USD 38 trillion globally) while in 2025, they will consume half of the world's products: USD 30 trillion out of USD 64 trillion. In 1990, the global consumer class amounted to 1.1 billion people, most of whom came from developed countries. Now, two years ago in 2010, the consumer class was equal to 2.4 billion, half of them from emerging markets. By 2025, 55% of the world's population (4.2 billion of 7.9 billion people) will be active consumers. For the first time in the history of

the civilization of humanity, the consumer class will be bigger than the non-consumer class. It is worth stressing that three or four hundred years ago, the consumer class amounted to only 1% of the population.

Some advice for us managers: companies generally should not be afraid to make innovative decisions in terms of the regions in which they operate, and their technology and management style. In the companies that managed systemic errors that led to the global financial crisis, too often their strategies were based on conclusions derived from expert analysis. Moreover, many organizations became homogeneous because they just followed the trends. Instead, especially in times of crisis, companies should look for new products and new niches.

A good example of how to do this are the so-called mini banks in India providing micro loans for the poor, but very large, social layer that has been disregarded completely by big financial groups. Nelson Jackson, the physician and automobile pioneer, said that he does not believe that someone who is running a business today with yesterday's methods will survive tomorrow. All of us need to change habits and use new tactics to manage ongoing risks and shape a sustainable future.

**A. Wooldridge:**

Thank you. I want to start by asking Paul Polman a question about brand building and, in particular, the issue of emerging market brands. We seem to have had a period over the last 20 years in which a lot of emerging market companies have been building products and building trade with other emerging market countries, so south trade has been increasing. At the same time, you have had a lot of slow but steady investment in brand building by some of the best companies in the emerging markets. How does Mr. Polman see this changing the world, and how should the west respond to the rise of these emerging market brands?

**P. Polman:**

It is quite normal that as an economy develops, there is local competition, as we call it. Obviously, in our consumer goods industry, it is expressed in brands. You get that here in Russia and in China. In fact, patent issuing has rapidly changed

from the west to the east. China is now issuing more patents than the US does. In our research centre in China, 350 wonderful PhD students, all Chinese, are producing tremendous innovations for us. As I do road shows sometimes and talk to analysts who look at our companies, they are very obsessed with some of the American competitors that we are actually less worried about, because there is no doubt in my mind that new names will appear on the competitive list that we are not even aware of today. In the top 10 banks, there are already three or four Chinese banks, and the list goes on.

What Mark said is actually the most important thing: you just have to stay locally relevant. What a company like Unilever is trying to do is have a global strategy but be very well adapted to the local market. A good example: here in Russia, we were very fortunate to buy the Kalina company. The Kalina company has some brands like Pure Line, Black Pearl, and One Hundred Beauty Recipes which fit our global strategy of wanting to be key players in skin and personal care, but they found a way of expressing that in a way that is relevant for Russian consumers. Sometimes you compete with these companies and other times you are able to merge.

What is interesting in the emerging markets, though, is that, because their spending is low, people are getting into the middle class as you were saying, but they have to think twice before they spend their money. They are very brand-loyal, believe it or not, because often the trust in companies in these markets is higher than it is in their governments, for different reasons. They will be very careful before they part with their money in terms of where they put their money, so we find the brand loyalty in those markets is much higher than in the developed markets. Many of the new companies that come in and try to expand in these fast-moving parts of the world are actually learning some very difficult lessons about what it takes to build brands there versus what it takes to build brands in Europe or the US. It comes back, perhaps, to what Mr. Krawiec was talking about: trust and transparency. You cannot build prosperity without this trust and transparency, and these brands provide that trust and transparency in many of these places.

**A. Wooldridge:**

Thank you so much. A question about professional service firms for Mark Weinberger: professional service firms, I think we could agree, are particularly difficult to manage in dealing with the tension between volatility and sustainability because they are people organizations more than anything. I wanted to ask you about two things to do with that: one is how do you develop people in the long term? Secondly, a connected point: how do you make sure that people are not just jumping away, moving to your competitors? How do you keep them there, how do you develop them, and how do you make sure that the market does not steal your long-term investment in human capital?

**M. Weinberger:**

Both very good questions, and just a quick follow-up on the brand issue, which is a really important question. You talk about sustainability and value. I think the only way to do that is brand. You will miss products, you will miss solutions (in our case) and you will sometimes get things wrong. You may even have a problem with the client, but if you have a problem with your brand, it is not sustainable, so that really does build into everything the panel was talking about. It is true for professional service organizations as well; it is our only real capital. But you are right. In terms of how we are structured, we are coming from 151 different countries with 170,000 people and lots of individual partnerships. Some partners in the room, you are right, are very hard to manage, and it is a good thing because it creates entrepreneurship and innovation, but you do need to keep the brand together.

Coming into my role, we are rolling out a brand-new strategy called Vision 2020. We are looking at, like Paul said, doubling our organization, where the markets are moving away from an industry perspective or geographical perspective, looking at the new developments in big data and things like that which we need to be in. The most important thing we need to do, what keeps me up at night, is having the best people and talent, and that means three things for us. Firstly, we have EY University, where it is not just about training anymore. It is not just about



sitting in a classroom, on a website, or in a live class, and getting technical training. Increasingly, it is about your experiences and your mentoring.

We have done a lot of surveys surrounding this. If you look at people and ask them why they leave organizations, that is one of the things most highly correlated to engagement by people, and engagement is a great indicator of success. If your people are engaged, you are successful. That is the general rule; whether they feel like they are in a high-performance team. The key, I think, for all of us going forward, especially in professional service organizations, is that no one is smart enough to do it alone. You cannot know the laws in 150 different jurisdictions, and that is just a segment of what we need to know. You cannot know all the issues in every industry. You have to have teams that cross borders, cross business service lines and work well together. When we look at our value proposition, we say it is exceptional client service by the highest-performing teams worldwide. If we can deliver that, we think we will keep those people because they will be part of a great team. If we cannot, then that becomes a real problem.

**A. Wooldridge:**

Just before we move on, I have a question for both Paul and Mark about brand destruction. Brands are built over years and generations and can be destroyed, as we saw with Enron and Arthur Anderson at the beginning of this century, in days. Could you give some comments on brand destruction?

**P. Polman:**

I think Mark was talking about the corporate brand, which is probably our most important asset. Unilever has a market value of over USD 100 billion. Our asset value is perhaps USD 15–20 billion, so the USD 80 billion, which some people call goodwill, is in fact the reputation of your company. We have seen enormous value destructions in the last few years or even the last few months because some people have disappointed others. The ‘trust’, as you called it, Adrian, has disappeared. For example: the fires in Bangladesh and what they did to some of the textile companies; the libel scandals and what they did to the banks; the food

scandals on horse meat, etc. and what that did to the food companies; blowing up a well in the Gulf of Mexico and what that does to an oil company. That trust is hard to gain, but easily destroyed. The world is becoming increasingly transparent. Some people ask, "Do we have more of these issues of trust now than we had before?" I personally do not think so; I think things are just more transparent, and word gets around the world faster, and people take quicker action.

The brand is the most important asset you have, and you have to protect it. It is also your highest risk. As a company, we spend enormous amounts of time on that. The only way I believe you can protect your brand, knowing that you have big companies like ours all over the world with hundreds of thousands of employees, is to be sure that there is always more money in the bank account than is being withdrawn. I do not mean actual money in a bank account; I mean the trust and emotional bank account with the consumer. That can only be done by having more and more transparency.

Our Unilever Sustainable Living Plan, which talks about decoupling our growth from environmental impact and improving our social impact, takes responsibility for the total supply chain for that reason. That is why we implement rigid frameworks on human rights. You can put cameras in all of our factories and you will see the same thing: the zero-waste factory that we just opened in St. Petersburg is the standard that we applied across the world. We do not have a different standard anywhere else because of one country not having a law that another country has. That transparency in how you operate is probably going to be the most important thing in building that trust and building your corporate brand.

Obviously it is a business of humans, and that is obviously your most important asset in building the brand, as Mark said. There are sometimes some humans who make the wrong decisions, and as a result you have to be immediately transparent, make corrections, apologize, and move on. But if there is enough in your bank account, you can handle those shocks. The companies that have dealt with a lot of the issues in the last few months in the examples I gave saw their

market value disappear because they have not been transparent enough towards the consumers at large to deal with these things.

**M. Weinberger:**

Paul talked about the external brand so well. I think one thing that is often overlooked when you have large organizations is that your brand is your people. We have 170,000 brand ambassadors. They will do much better for us than advertising in various airports or other things. It is about how our clients, how the government, interacts with our people every day. It is about getting them aligned on core values around integrity, courage to lead, and things like that.

I think, Paul, you mentioned a purpose early on in your discussion. Purpose is incredibly important. When we were designing our strategy, I went and talked to our young people all around the world, because we were designing a strategy for them, not me, and that had to be sustainable over the long term. It is really interesting that they said, "Ernst & Young is a great place. There are a lot of great places to work and a lot of smart people everywhere. Help us understand why Ernst & Young: what is our purpose in the world?" So we have now developed a purpose, which is building a better working world, which ties to every order we do and which helps provide confidence in the capital markets. Every advisory project we do helps increase earnings to allow hiring. All of our training and education trains future leaders and shares our commitment to entrepreneurs and bringing great ideas to the world. They think about what they do differently. That builds brand, because now they are thinking about what they contribute to the world, not what they take. I think that is an incredible thing that will be demanded more and more.

**A. Wooldridge:**

Thank you so much. Now Kirill Androsov: I want to ask you about infrastructure. On the one hand, we have a world that is short-term and volatile. On the other hand, we have a world that needs infrastructure and planning more than anything else. What, from your perspective in the airline industry, is being done to build

infrastructure in the emerging world? Do we have a good perspective on the long-term needs for growth in these markets?

**K. Androsov:**

Thank you, Adrian. Let me talk about emerging markets and developed markets again, because the angles will be a little different. For emerging markets such as Russia, I should say that we are so far behind in development in terms of all kind of infrastructure (transportation, energy infrastructure, etc.) that nothing could be too much at this stage. But we should be very careful, because we all know the example of Spain. When Spain's government started to do a lot of borrowing 10–15 years ago, they decided to use all of these proceeds as a driver for the economy and spent a lot of the money on infrastructure, and now this infrastructure is simply empty. It is not utilized the way it was planned. It is not used, but the government has created a huge amount of state debt. These are the two sides of the coin.

Speaking about Russia, I already mentioned a lot of the fields where infrastructure is undeveloped, but again, we should be very careful in terms of the manner of spending. I strongly believe that, at the current stage of our development, probably the tool of public–private partnership is the only answer to this, because if we start significantly increasing government spending on the road infrastructure and so forth, at the end of the day it will be so inefficient that it would probably be better if we had not built it. I would draw much more attention to any kind of PPP and concessions where there is a private partner who is interested in raising the efficiency of infrastructure.

**A. Wooldridge:**

Thank you very much. Now Kjell Johnsen: you spoke up in favour of contrarianism. Do you think it is possible for business to be too long-term or for capital to be too patient? I am thinking of a large wireless company in your region that constituted 40% of the stock-market value of the country where it was based, an absolutely first-class, world-dominating brand. It became, I think, not too complacent but too slow. It spent four or five years where it lost the plot and did

not do anything, and now is in very significant trouble; I will not name the company. Do you think capital can be too patient or too long-term? Do you think that short-term pressures can actually be rather good for shaking up organizations?

**K.M. Johnsen:**

In the category of leading questions, I guess this one comes out pretty close to the top! The answer is a given: obviously, capital needs to be challenging at all times. Capital should come with competence; capital without competence is irrelevant, but competence without capital does not get you anywhere. Competent capital is what you need.

I do not think I should go into the ups and downs of one specific company, but obviously the rate of innovation is going up all the time, and to be able to be in that game means that you have to balance the short term with the long term. That sounds pretty banal, but you have to do this. That is where the interaction between management, board, and owners comes into place. If the owners are competent in their approach, they will be able to put the right amount of pressure on the management to look for new opportunities, to not get stuck in old dogmas, and that is basically the challenge that we as managers need to be given: how do we see the world? What are the strengths of our strategies?

A board that cannot see through a mediocre strategy is unfortunately going to be leading a company that is on its way down. The way we as leaders can deal with that is to continuously focus on competence and be willing to listen to other ideas, because getting that nice business card does not mean that you know everything, that you are the one with all the answers. It gives you the fantastic opportunity of employing people who, God forbid, are actually maybe smarter than yourself, and benefitting from their ingenuity and ideas. Be open to the world around you. Get the impulses in and work with that. Those who sit and try to make their own ecosystem and say, "We have this fantastic thing that our engineers have developed. It is the best. It does not matter what other people think", or at the end of the day, what consumers think; these people are bound to get into trouble.

That is what it is all about: being able to nurture competence and being able to transform that into actions as a matter of having clear strategies for your own business. That is how you survive, and that is what it should be like. I am not a historian of economy, but there is something about creative destruction here in markets and also for companies. That is what we are up against.

**A. Wooldridge:**

Thank you so much. Now for Børge Brende. I am very impressed by the way the World Economic Forum has created a basis for long-term thinking, long-term challenges, and long-term solutions. It lifts us all out of the short-term cycle of creative destruction and lets us spend some time at least looking at the bigger issues and how they are going to play out in the long term. We now see many organizations around the world (of which the St. Petersburg Economic Forum is one) trying to do the same thing, and particularly in emerging markets. I would like you to say a few words about this new development, what the new World Economic Forum is developing, and where you would like to see it going in the emerging world.

**B. Brende:**

Thank you so much for your kind words. Let me try to put it into context. I think the relevance of the World Economic Forum and other forums is increasing in a world that is increasingly multi-polar or non-polar, meaning there are so many players that are not only governments. Traditionally, after WWII, governments could make a lot of decisions and could act upon them. In globalized world business, governments, civil society, and international organizations all count, but with the current structure that was created in the post-WWII context, organizations like Bretton Woods and the UN are not fully reflecting the richness of all the actors and players in this world.

I think one of the strengths of the World Economic Forum has been that we are a multi-stakeholder, bringing academics, world leaders, politicians, international organizations, and business people together, and brainstorming and interacting

to find out-of-the-box solutions. This is something you are also seeing other emerging markets pick up on, and I am happy about that.

I think one of the challenges we are seeing is that it takes time to grasp how dramatically our world is changing. Last night, I looked at the value of trade globally. The value of trade has increased by a factor of 30 since the late 1970s. In a world where trade is so much more important for global wealth creation and jobs, this notion of decoupling, of looking just at your own country, does not work. What happens in Japan really does matter in St. Petersburg, and if a Finnish company like Nokia has challenges, that will reflect in Russia and vice versa.

What we are also seeing is that fora like the World Economic Forum are also focusing on bringing new voices in. We have said that we would like to be a state-of-the-art organization, bringing young voices in. This is of immediate importance in the sense that 50% of the global population is under 27 years old, but if you look around, I do not think that 50% under 27 years old is well-represented here, with all due respect. I would say that we also need to use these fora to bring those voices to the table.

Also, we need more voices from emerging economies. Following our yearly competitiveness report, we are seeing that there are big changes happening now in Africa. Countries that were not even part of the competitiveness report 10 years ago are now climbing the ladder. Seven of the 10 fastest-growing economies are now in Sub-Saharan Africa; maybe Africa is now the new Asia. What is happening, as the moderator also underlined, is that it took 10 years to get the internet almost all over the world, but it took 50–60 years to get 50% of the US population access to television. Things are changing so much faster, and the pace is unparalleled. In that respect, we also now have to put more focus on changing the government structures of the world to be more intact and more agile to deal with the challenges that we are currently seeing.

#### **A. Wooldridge:**

Thank you very much. Now Mr. Dariusz Krawiec. You talked about mini banks being created for the poor, and I have noticed some of these mini banks now beginning to operate in Great Britain, actually. I wondered if you have any other

thoughts about innovations that are taking root in the emerging world actually flowing the other way and coming to the developed world?

**D.J. Krawiec:**

Before I answer this question, I would like to touch base on how we are creating value in our industry, which is not a very easy one in these times.

First of all, I remind you that cumulative GDP growth in Poland for 2008–2012 was 17% (the highest in the region), while in Germany at the same time, it was 3.7%; 1.7% in the Czech Republic; and there were even countries in the negative. We have a good local micro situation, which does not change the picture that the situation in the refining industry is very difficult. In the last four years in Europe, almost 20% of total refining capacity, 2.7 million barrels per day, were closed or sold. The crisis tested companies' strategies, companies that focused on refining capacity increases in Europe faced big problems because the fuel market had become more competitive due to demand being down and overall refining capacity increase. In contrast, companies like ours which increased volume by entering new niches or new products have won. Last year we opened the second-biggest and the most modern paraxylene and terephthalic acid installation, introducing absolutely new products and significantly strengthening our revenue position by diversification.

Another area is in shale gas in Poland. In our sector, one can easily be tempted to mention scarcity of resources, climate change, public protest, or drill sites as sustainability risks, but this would be very wrong because we should rather treat them as challenges, not problems, and do our best to bring value for the benefit of the company and society. For example, we are trying to implement the best and most modern drilling techniques while we are looking for shale gas in Poland, which mitigates, for us, first of all, the risk of polluting the environment.

These are promising new sectors in Poland with benefit both for our company and the economy as a whole. That is the kind of innovation we are doing in our business in trying to build a sustainable future.

**A. Wooldridge:**



I wanted to focus a little bit more on the shale gas revolution because it is an extraordinary example of an industry that you would have thought was fairly mature and stable. We all thought America was declining as an oil and gas producer, and suddenly we see the shale gas revolution completely changing everybody's calculations about the balance of power in the energy industry. I wanted you to comment a little bit more about how much has been changed by shale and where you see it going in the future.

**D.J. Krawiec:**

It has changed things a lot so far, and it will change the picture of the oil and gas sector worldwide completely. The price of gas has fallen due to exploration of shale gas from USD 450 to USD 70 per 1000 metres. This has generated a lot of new jobs for people, with around 1 million jobs in new sectors, or sectors related to gas exploration, like the chemical sector. It has caused the shift of new investments from the Middle East back to the US. In terms of influence on GDP and budget revenues, it is billions of dollars, and it will also influence the prices of oil in the future, because we are talking about not only shale gas but also oil coming from unconventional resources. It will completely change the world picture.

While I was in Houston in March, I was taking part in a panel, and people who were on this panel with me were asking me why we in Europe are not tackling this issue seriously with our energy situation and dependence on imports from other countries. I was not able to answer this question because I am not a politician working in the EU. My strong advice would be get into it as quickly as possible.

**A. Wooldridge:**

A fascinating issue. I wanted to ask Paul Polman a little bit more about climate change because that is a classic example in which the short term and the long term can be at odds; we can try to make short-term profits and fry the planet. I wanted to ask him about his thinking on that and what global companies can do

to push this a bit higher on the agenda and solve what I am sure is probably known as the collective action problem.

**P. Polman:**

It is a media challenge whether we like it or not, and even the people that are sceptical are increasingly a very small but very vocal minority. You still have to tell these people, “Why should we pollute more if we can avoid it?” Even if you do not believe, why pollute more? I think the effects of climate change are incredibly clear, and it is, unfortunately, the poor again that pay the price for it. There are a billion people that go to bed hungry every day not knowing if they will wake up the next day, and when you have climate change and volatility in food prices, which we have seen doubling or tripling in the last few years, it is the poor that suffer most. It is a very serious problem that affects many different things, including the fragility of governments, peace in the world, and many other things. Obviously, there are a lot of direct and indirect effects on people’s lives as a result of that.

The good thing is that the top 1000 companies in the world all do their carbon disclosure now. It is one of the fastest-growing fields in terms of measurement and footprint. I think if you ask CEOs what they are most worried about, it is growth within sustainability. If you peel the onion of sustainability, you get climate change. Everybody is starting to notice that it affects their PnL, and as a result, their business model.

Lots of actions are being taken. What we have done at Unilever, actually, is some very simple things. All of our businesses use green energy now. We actually do not have to pay that much more for it. We look at energy reductions in our own supply chain and actually make savings as a result of it. McKenzie just published a report that you might want to read just a few months ago that says that 40%, more or less, of all the investments you make in energy savings are an immediate payout. One of our biggest challenges is illegal deforestation in this world. Seventeen percent of global warming comes from illegal deforestation. Unilever is involved in that because it is basically driven by the demand for food. That is why people have soy, or palm oil, or beef, or pork, or some other things. If

we could stop illegal deforestation, which seems to be a thing that should be possible, we would have 17–20% of global warming solved right there.

I think these issues can be attacked much quicker than we are currently doing if we can solve what was mentioned before: this global impasse at the political level, as you saw in Rio and in Doha. We created a forum that we called the Global Consumer Goods Forum. These are the biggest companies all over the world: companies like ours, retailers like the Wal-Marts of this world or the Carrefours. We said that by 2020, we will not sell anything that comes from illegal deforestation anymore. That sent an enormous signal into the supply chain. One of the things we are working on now in Russia is that we just signed an agreement on producing sustainable sunflower oil. Again, for the same reason, we will not sell any products anymore that would be unsustainable, and product sustainability is a lower carbon footprint. If we can solve things like that very practically, I think we can address this issue much faster than the political climate can address it currently.

Businesses are actually increasingly aware of the effects on their business model. A recent study about one of your competing companies pointed out that, in about 30 years' time, the entire profits of the consumer goods companies could be wiped out if these issues are not addressed right now. Unilever itself incurs about USD 300–400 million in extra costs every year because of these climate change issues. We mitigate those, obviously, in our own business model by looking at it differently, but if you do not do that as a businessperson, you increasingly marginalize your model.

I am actually very optimistic about that because, as was mentioned, you have to enrol the young people. We did a lot of work for the new Millennium Development Goals. We just published the high-level panel report, and I was asked to be one of the members representing the business community. We got a huge amount of feedback from young people, especially from Africa, interestingly, but also from the Far East, who know and experience the issues in terms of not taking care of our scarce resources every day. They are ready to be part of the solution, and if we do not enrol them, obviously, I do not think we will find that solution. But if we are able to unlock them and have more businesses build solutions into their

business models, taking responsible action around some of these things like illegal deforestation or whatever their business is, then I think we can solve these challenges in a much better way than we currently do.

**A. Wooldridge:**

I think it is an absolutely vital point that climate change is not just a long-term threat but is actually increasing short-term volatility, and I wonder if there is anybody else on the panel who is burning to comment on this subject?

**B. Brende:**

Thank you. I think Mr. Polman makes a good point that when we are dealing with climate change, we need to address the short-term, low-hanging fruits first, because it is serious. By stopping deforestation, we can in fact compensate for the global CO<sub>2</sub> emissions by 20% because of the sink effect. It is really a low-hanging fruit, but then you also have to make a global deal in which you are willing to support developing countries that do rely on this kind of forestry as part of their revenues.

The paradox is, of course, that the global economic model here is not working at all because you are not internalizing the external cost. The cost of climate change now and what it will cost us in the future is much higher than the actions we could undertake, but because of the global system not working here, the actions are not happening. We are going to pay a price for that in the future.

Just a short comment on the shale gas revolution and unconventional energy: this has come as a big surprise. It is changing the energy picture, but we also have to bear in mind that the cost of shale oil and gas is a lot higher than traditional oil and gas. There is no cheap oil and gas anymore. Shale oil would probably cost around USD 70 per barrel, so that also makes renewables more competitive. The energy is there, but not at the price we have traditionally seen from Saudi Arabia and especially from the Gulf, like USD 8–9 per barrel.

But I think the shale gas revolution that we were not talking about 10 years ago also shows us that things can change, and this, in one way, for the better, in the sense that energy is available; maybe it is not necessarily better for the climate if

you do not also put it in the carbon capture context. Sometimes it is important then to remind yourself that what we are seeing today is not necessarily the situation in 5–10 years. I said on the front page of *The Economist* 10 years ago that the sick man of Europe was Germany. Thirteen years later, Germany is the strongest economy in Europe. That is why, if you deal seriously with your competitiveness, if you deal seriously with your economy coming back, you really can change your destiny. If you take this seriously, you really can.

This is also what we are seeing in this country. There is now a big discussion on how this country can diversify and be more innovative, and the strength is there, if there is a willingness to address those serious issues.

#### **A. Wooldridge:**

I think Donald Rumsfeld said something like: “It is really the unknown unknowns that are the worrying thing, not the known unknown.” I think shale, 20 years ago, would have been in the category of the “unknown unknowns.” It has really changed the world, or is changing the world.

I want to bring in Vitaly Pyltsov, the director of the Russian Direct Investment Fund, who is sitting here in the front row.

#### **V. Pyltsov:**

Thank you. Actually, I have a couple of questions for our speakers, and the first one probably goes to Adrian. You may direct it to somebody you believe is the best person to answer.

We heard today that the average working life-span of a CEO is about five or six and a half years. Governments are elected for four years on average, but somebody should be smart in this world, somebody should take care of these things. Who is that? You mentioned some forums you are sitting in, but they are probably not 100% durational. What is the hope of the human world if it is not the government and not the business community?

That was the first question. The second one is a little bit more specific, and it goes to Mark. Your organization is in the process of a quite big internal restructuring now. Is it a call of the present time? Is it an answer to the

challenging new requirements and demands of the world? How do you feel about that in the context of today's discussion?

**A. Wooldridge:**

I think the question of the wise man, people who take a long-term view of things, is extremely interesting. We have the average professional life expectancy, not just of CEOs but also of politicians, going down at the moment. We have a very volatile political world at the moment. I think there are two interesting things: one is that California, which is one of the most short-term places on earth, has now created something called the Think Long Committee, which exists to vet various ballot initiatives to see if they are lunacy, basically – to see if they work and if they can be reconciled. That is an example of one attempt by western democracy to look to the future.

The second thing that is going on is the Chinese and the Singapore model, where they do pride themselves on taking a much more long-term view, and they worry about democracy being too short. I wanted to ask Mark to talk a little bit about the second question that Mr. Pyltsov asked, looking to the future. How are you seeing these developments?

**M. Weinberger:**

Great question, and thank you. It is a great example for the discussion of this panel. Our changes have nothing to do with our current operations, actually. What we did was we looked out to the future. We met with our regulators around the world, met with government officials, met with our younger people, met with our clients, and said, "Where is the world going? Where is business going? Where are clients going? And where do we need to position ourselves?"

Today, about 13% of our business is in the emerging markets. We project that by 2020, 30% of our business will be in the emerging markets. How do you then construct yourself in order to capture that? We put emerging market representatives on our global board, and they really are helping us think differently about that. We look at women as an emerging market; we think they are increasingly a great resource for us in our business, but also as consumers

around the world, they are having much more demand. We are trying to figure out how that plays into our thinking and restructuring.

We are looking at where the markets are going in terms of industry and where we want to position ourselves, so it is about figuring out how we get into the new areas. With our doubling in size, we project USD 9–10 billion of our USD 25 billion growth will be in new services we do not even do today. We are trying to help our people think beyond how conservative we usually are (hours x people x rate) to think about what new service value-added opportunity we could bring to our clients. That is a big change.

We are trying to keep up with the world and get ahead. When we look at where our investments have been the most successful, it is when we have been there first or second. When we are last, it is always more costly. It is really about sustainability. Today we have more people charging more hours and greater revenue than we have ever had in the history of the organization even despite the meltdown, but we will not stay here if we do not change to predict where the world is going. That is what it is about.

**P. Polman:**

I do want to make one quick point to Mr. Pyltsov's first question. I am actually very optimistic on who is filling this void with governments being unable to move things forward and with CEOs being very short-term. It is actually the young and those we call the 'concerned caregivers': the mothers with children. They do care, and they do care enormously, if you do any service, because they all live in the parts of the world most affected.

All the changes that are happening currently in the world, whether people like it or not, are because of movements of people. Sometimes they have to go out on the street, but movements of people drive the world, and increasingly these people understand that they have the power to connect and make their voices heard. The mobile telephone has become more powerful than the atomic bomb, and the citizens understand that. Look at what happened in Turkey last week. It is like this every week now, and changes will happen because of that.

The question is, how are companies picking up on that to provide positive solutions? First, it is working on the frustrations, which is negative energy, because consumers want change. They have to live with that every day, but they might not have the solutions. Any company, group of companies, or government who understands that and provides these solutions will be embraced. There is no doubt about that. What we now find very clearly is that there are more responsible businesses that take a longer-term perspective. Even though the CEO might only be there for five years, they do not get side-tracked by that. These companies have a longer-term perspective; they invest in training, capital, everything.

Companies and industry associations aligning around things within their spheres, aligning around things to move things forward, are now probably going to be a bigger driver for change than governments. When we did the Tropical Forest Alliance, or when we changed ice-cream cabinets to natural refreshments and had to change some laws, as soon as there was critical mass from companies, we found governments were willing to get behind that because we took the risk away for them.

These coalitions are always there, and frankly the world and history, from whatever period of time, has always depended on a few individuals taking the initiative. It was Rosa Parks who changed the US laws against discrimination; or Carson's book, *Silent Spring*; or Gandhi in India; or Mandela, who solved the South African problem, at least at that point in time. It is individuals that make those things happen, and the world is blessed with a lot of good individuals who do care not only about themselves but about the common good for the longer term. So I am fairly optimistic. If you go to some of the young global leaders or the young shapers or the young world, where you see 1000–1500 young people together, all connected with Twitter, with a million people or more following them, you start to believe in the future of this world. But we have to empower them.

**A. Wooldridge:**



I am very conscious that we have very little time, but the gentleman in the front row has just indicated that he would like to make an intervention. This is the last question we will be able to take, so I do not know what form it will take.

**S. Kravchenko:**

Sergey Kravchenko, President of Boeing Russia and CIS. I have a question for Kirill Androsov. When I think about the transport industry in Russia, the analogy I think of is that of the cardiovascular system. If blood is not pumped, oxygen is not delivered and the person dies. Russia is the biggest country in the world. If our railways or aviation do not work, the economy will be sick. You head the Board of Directors at Russian Railways and at Aeroflot, the two largest state transport companies in Russia. What do you think are the biggest difficulties for the country's transport system, and which challenges threaten its stability? What will you do to make sure that Russia's transport industry really is working and helping the economy to be healthy?

**K. Androsov:**

This is probably one of the most critical questions that challenges not only the board of Aeroflot and Russian Railways, but the Russian government as well. But my answer will be separated into two parts: the aviation industry and the railway industry.

In the railway industry in the last three years, we have changed the model. We have moved to a way of splitting the national monopoly and competitive parts of the businesses, and now all of the transportation is based on business. But we have ended up with very low resources for the development of infrastructure, and now unfortunately the only way to raise the capital to develop infrastructure is to increase tariffs or increase the government subsidies. This will not work, because as long as we continue to increase the government's spending on infrastructure, it will become more and more inefficient. Now we have to readjust our model back to the competitive parts of the businesses, to bring it back into Russian Railways' control, to allow Russian Railways to build something like Deutsche Bahn. That company is making 50% of their revenue from the transportation and

logistics business. This is exactly the subject of our session, how quickly the current environment can change the business models, and conversely, how business models are changing the environment.

Speaking about the aviation industry, if we look at the map of the aviation routes and aviation industry in Europe, 10 years ago, we would probably have seen one or two lines carried by low-cost carriers. If you look at this map now, we see that approximately 50% of the routes are covered not only by Ryan Air and Easy Jet but by a number of other companies like Boeing, Berlin Air and many of the others that all of us know. This means that in 10 years the aviation industry changed dramatically. Now everyone is taking losses in this industry, and only the companies who are able to predict this and adjust their strategies will survive. Speaking of Aeroflot, we have a very tight niche, the niche of the prime carrier. I already mentioned the middle class and emerging market economies a couple of times. For the middle class, we would expect that as long as their incomes grow and as long as their lifestyles and quality of life grow, they will prefer safety and quality of the service. This is about prime carrier. Low-cost is a great business model, but it cannot provide the quality or standards that the prime carrier can. For this question, I hope I gave a good example of how the market environment may quickly change whole business models, and vice versa. Thank you.

**A. Wooldridge:**

I am very keen that we should stop on time. I would like to thank our panel very much indeed for taking the subjects of extreme volatility and building some sustainable, intellectual value out of them. Thank you.