




Ready for the Future: Thrive as the World Transforms

The future we are entering differs fundamentally from the past. Change is happening faster than ever before, with Artificial Intelligence and technology rewriting the rules of how economic activity and value can be created, and Climate Change redefining the parameters of how our global economic and industrial systems will operate. All this amidst an increasing fracturing world of geopolitical complexity.





It was in this context that on July 6 and 7, over 1,000 PwC Partners from the Chinese mainland, Hong Kong SAR, Macau SAR, Taiwan region and Singapore, as well as Senior Partners from across Asia Pacific, gathered for the 2023 Partners Conference in Macau, with the apt conference theme of “Ready for the Future”. The Partners heard from the leadership of PwC as well as influential economists, business leaders, technology pioneers, regulators and cutting-edge thought leaders.





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The Conference helped our partners understand deeper the massive implications of technology, climate and geopolitical change. We also focused on our strategic priorities that ensure we can serve our clients as they look to thrive through this time of great opportunity and challenge. Being Ready for the Future is essential for us to help our clients build trust and achieve their desired sustained outcomes.

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Raymund Chao, PwC Asia Pacific and China Chairman



The Conference took an outside-in approach to engage all of our partners on the macro situation. **Professor Fan Gang**, one of China's most prominent and influential economists, shared his insightful analyses of the driving forces underlying China's economic recovery journey; and was complemented by **Sunny Verghese**, Co-Founder and Group CEO of Olam International, who delivered an inspirational session on how business organisations can prioritise their sustainability transformations to create business value as well as tackle the imminent climate threat affecting humanity.

Leaders from **Microsoft, SenseTime, Temasek, HKEX, Master Kong, and CATL** joined strategic dialogues on how AI and Sustainability, respectively and together, would disrupt our relevance, transform business models and have material impacts on diverse groups of stakeholders.

We also livestreamed a portion of the Conference to more than 30,000 PwC staff across the five territories, motivating and engaging our community of solvers – a term we use to describe the way we work together – who are critical to driving the transformational change needed to be Ready for the Future.

Addressing today's existential challenges with bold actions

The global economic landscape has never been more challenging, with recovery slower than expected, interest rate hikes translating into financial market uncertainties, and disruption of global trade triggered by “de-risking” measures out of geo-political considerations.

Professor Fan Gang pointed to the much-anticipated recovery of China's economy that has been going at a slower pace – but higher quality – albeit with recent policy stimulus. Geo-economics – manifesting in the form of economic sanctions, trade barriers, and investment restrictions will continue to disrupt global supply chains and trade flows.





Collaboration is the key to navigating disruptions in today's increasingly fractured world. A better geo-economic inclusiveness and cooperation between China and the Asian countries not only enable companies to navigate the challenges of operating in a dynamic market but also unlock new opportunities for growth and innovation. 96% of our partners attending the conference acknowledged that their clients currently have supply chains, customers, and operations across Asia Pacific, underscoring the need for collaboration across borders and industries.

On the brighter side, Professor Fan Gang saw room for faster recovery through policy levers such as China's dual circulation strategy, the country's adherence to opening-up of its economy, and its continuous efforts to engage in multilateralism and international system through the Regional Comprehensive Economic Partnership (RCEP) and Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). Accelerating this development are new growth hotspots in smart vehicles, green technologies, advanced AI, industrial digitisation and the growth of city clusters.

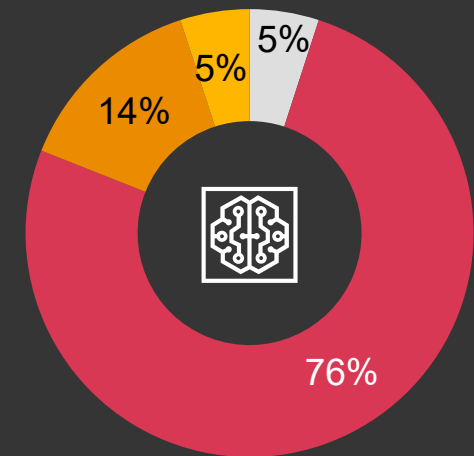
AI as a game changing engine for businesses

The speed and extent to which CEOs must transform their business are going to be accelerated by the wave of new AI technologies. Business, Governments and Society have been both excited and concerned by the emergence of ChatGPT and its potential implications.

Our analysis¹ has shown that AI could contribute up to \$15.7 tn to the global economy in 2030. Of this, \$6.6 tn is likely to come from increased productivity and \$9.1 tn from

consumption-side effects. Given the immense size of the pie, there is a wide consensus among partners attending the conference that AI will be a game changing engine for business transformation. 81% of our partners indicated that their clients have implemented varying degree of AI technologies in their business process. The first words that come to our partners' mind when thinking about AI are "powerful", "efficient", and "future opportunities".

Have your clients implemented AI technologies in their business processes?



■ All of them ■ Some of them
■ None of them ■ Not sure

1. Results are generated using a large scale dynamic economic model of the global economy with the model built on the Global Trade Analysis Project (GTAP) database: <https://www.pwc.com/gx/en/issues/data-and-analytics/publications/artificial-intelligence-study/research-and-methodology.html>

Bessie Yuan, President of Microsoft China, commented on technology being at an inflection point in society where AI will revolutionise how we work, live and interact at scale. With the democratisation of technology, speed will be a key differentiator for businesses and success will come from achieving major breakthroughs in critical areas, rather than progressive research.

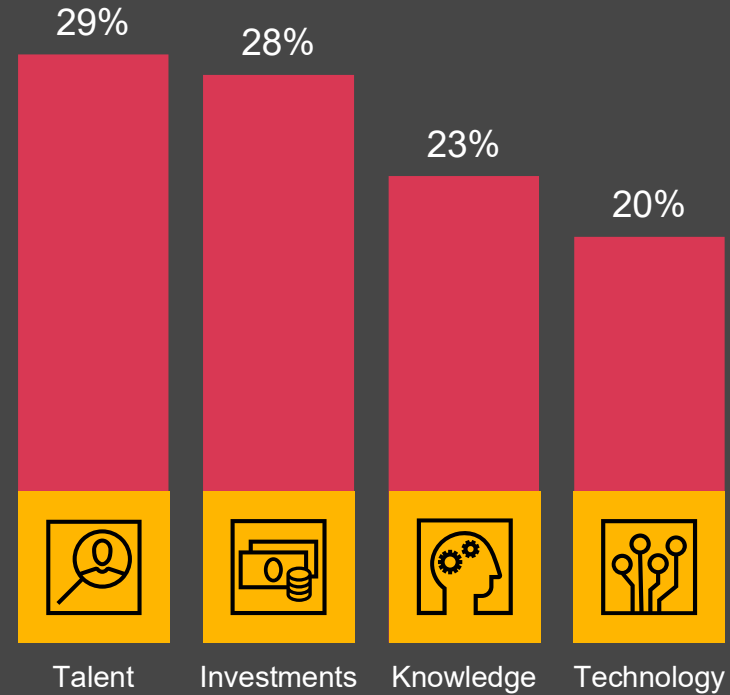
One such area is large language models (LLMs). Utilising massive integration of data, computing power, algorithms, and other key resources, large models are able to bring breakthroughs in productivity and workplace efficiency.

Yang Fan, Co-founder, President of SenseCore Business Group at SenseTime, believed that companies which value the use of AI as much as talent, and position them in harmony within their organisation are more likely to gain a competitive edge in the future.

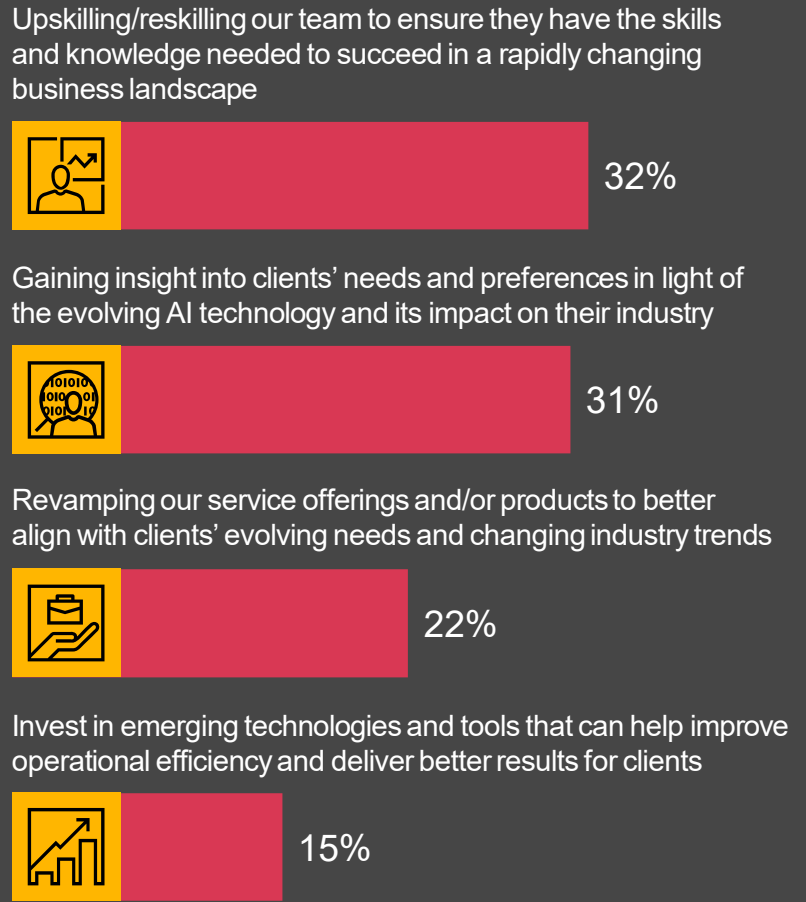


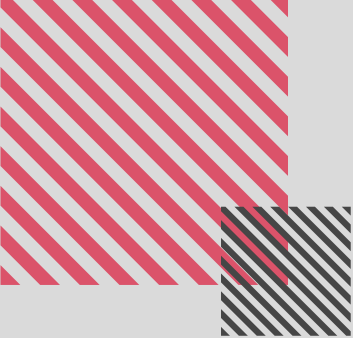
This message resonates powerfully with PwC’s strategy for its community of solvers to be Human-Led and Tech-Powered. 29% of Partners considered “talent” as the biggest obstacle or challenge when embracing AI in their service offerings. And 32% identified developing and improving the skills of their teams, as their top priority for the next three to six months. Accelerating upskilling and workforce transformation are essential for companies to get Ready for the Future amid the AI revolution.

What are the obstacles or challenges for you as Partners to embrace AI in your service offering? (Showing only the most difficult ones)



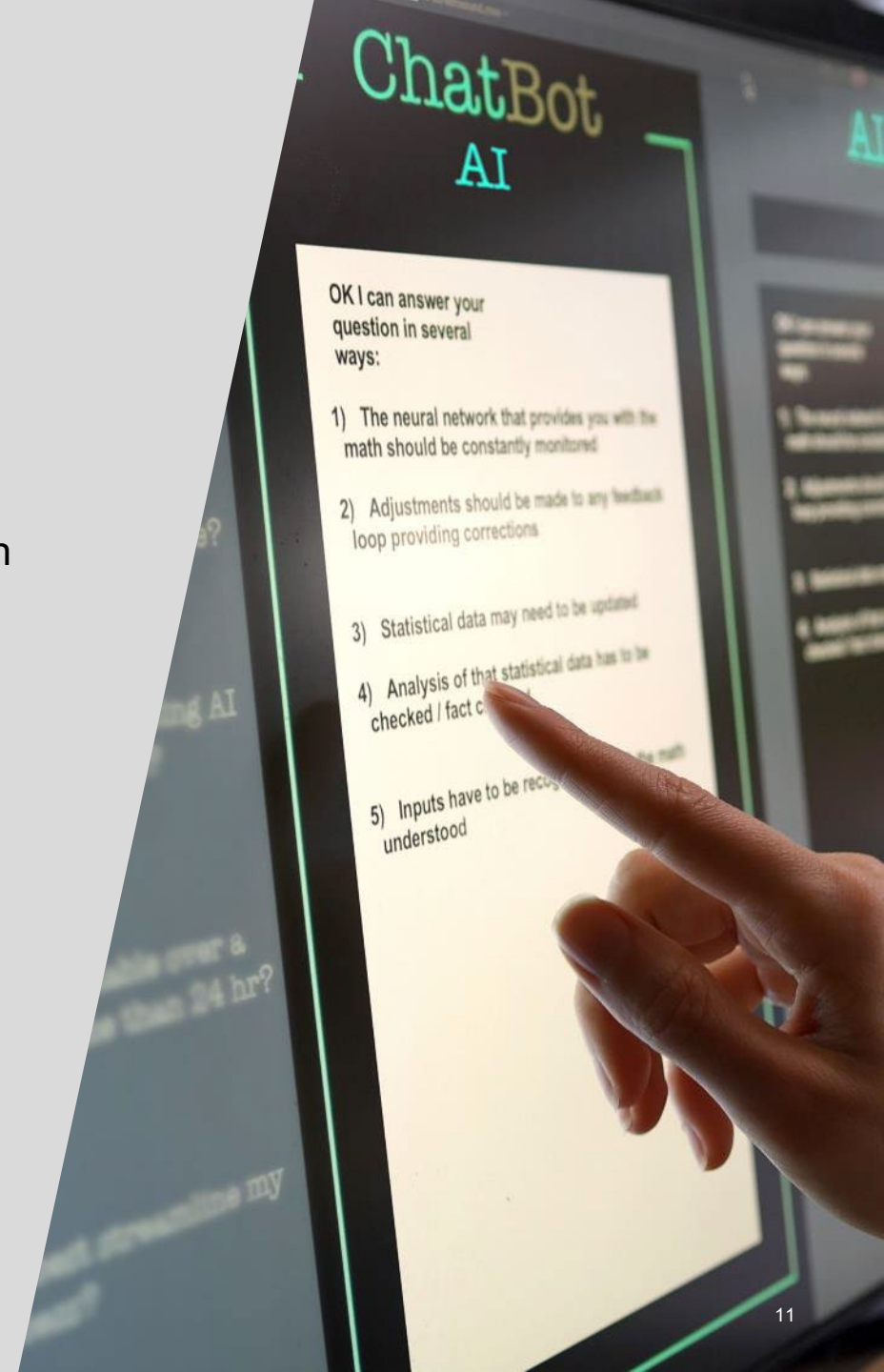
In your opinion, what should be the top priority action to take in the next 3-6 months to stay ahead of the game in the evolving landscape of AI technology?





PwC further recognises that a single enterprise cannot possess all the necessary capabilities alone. As a community of solvers, we actively foster and lead within an ecosystem of technology alliance partners, startups, academia, governments, and communities.

PwC's use of generative AI will be responsible and transformative. We announced plans to invest RMB3 bn as we mobilise all our 25,000 people in PwC China as part of a strategic process to integrate Responsible AI to deliver human-led, tech-powered solutions to our clients and ensure we remain Ready for the Future.



Creating value in a world transformed by climate change

With the natural environment rapidly degrading and extreme weather becoming the new normal, it is imperative that business organisations accelerate their sustainability transformation not only to achieve corporate ESG goals but also to take this as a game changing opportunity for creating new value in the business ecosystem, let alone playing their part in addressing intensifying climate threats.

Sunny Verghese highlighted three existential and interrelated challenges, namely climate emergency, collapse of natural environment, and growing inequality in society, that are dialing the climate clock closer to midnight, representing imminent threats that must be addressed immediately in a coordinated manner. In response to the general lack of awareness in carbon footprints among organisations, particularly regarding scope three activities, he also stressed that more needs to be done by big corporations to bring about new transformative changes and regulators to set industry standards and metrics in ESG reporting.



Creating value in a world transformed by climate change

Ivy Kuo
PwC China
Moderator



Anuj Maheshwari
Managing Director
and Head, AgriFood
Temasek



Professor Ni Jun
Chief Manufacturing
Officer
CATL



Frank Wang
Executive Vice President
of CEO Office
Master Kong



Bonnie Chan
Co-Chief Operating
Officer
HKEX



Qing Ni
PwC China



PwC's most recent Net Zero Economy Index indicates a similar picture. Asia Pacific needs to accelerate its annual decarbonisation rate by 13 times to reach the 15.2% global rate required, given an alarmingly insufficient pace in reaching climate goals.

Our panelists in the sustainability session were aligned in their

recognition of the urgent need for climate actions in the region, and that achieving a net-zero future is not only critical for our planet but also a business imperative, and that sustainability transformation must be put at the top of C-suite agenda, driven from a top-down decision making approach in order to make substantive progress.

Speaking of transformation progress in relation to climate actions, **Professor Ni Jun**, Chief Manufacturing Officer at CATL, commented that in order for energy transition to gain meaningful adoption, it must address the fundamental needs of the end consumer, whether it is convenience or accessibility, citing the electric vehicles (EV) market as a great example of how better technology and reduced prices are accelerating energy transition at the consumer level.

On the other hand, ESG should not be viewed as cost, but rather an opportunity for companies to create long-term value, according to **Frank Wang**, Executive Vice President of CEO Office at Master Kong. Value creation can be better achieved with

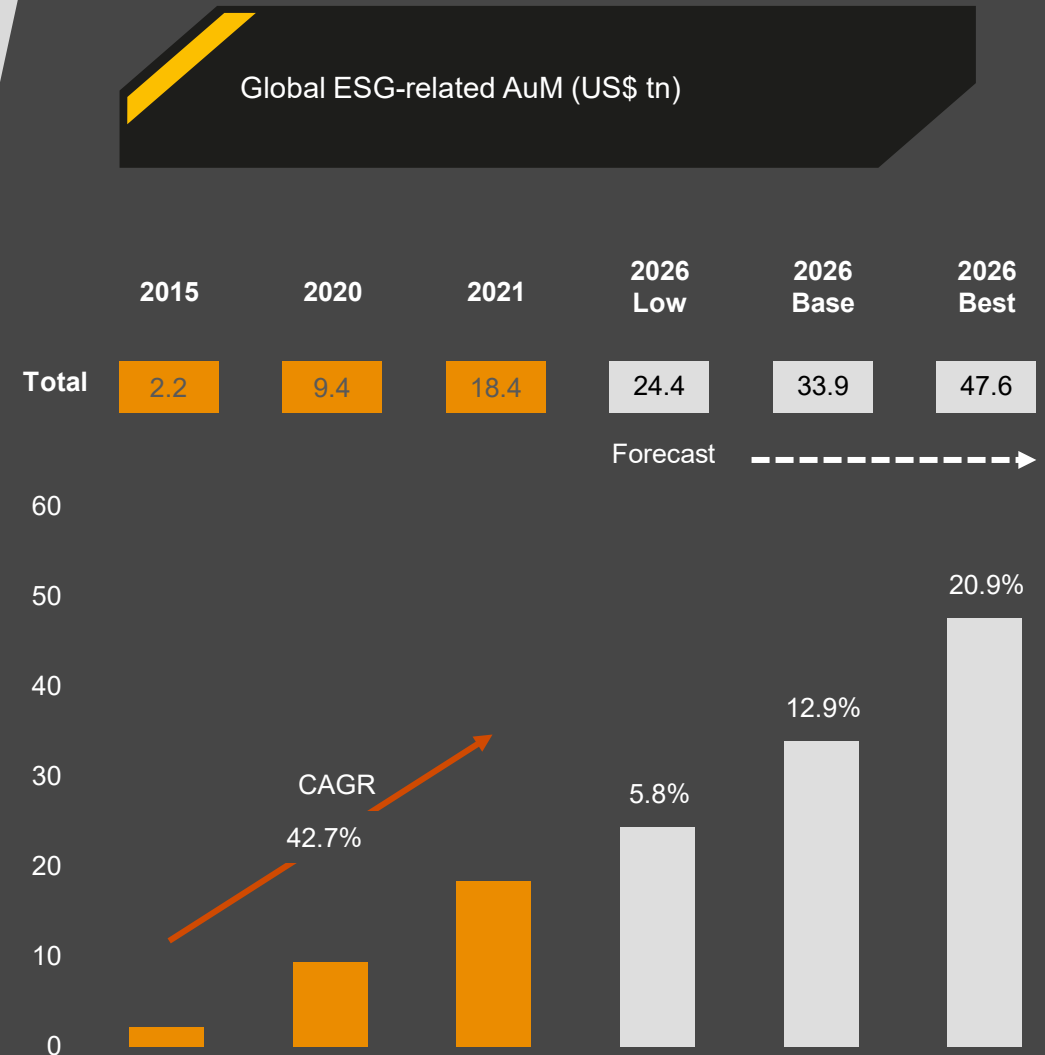
the formation of strategic partnership to create strong synergy and deliver a bigger impact together.

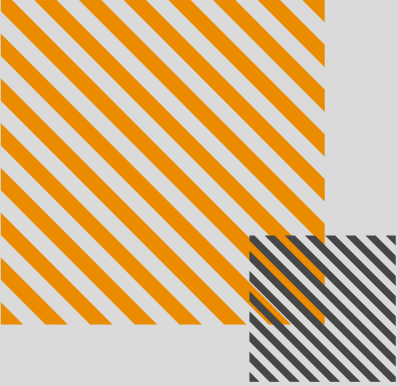
Supporting these views are 75% of our partners who strongly believe that sustainability transformation is an essential investment to create long term business value. A number of studies also show that a strong ESG proposition can create value for an organisation by driving top-line growth, reducing costs, attracting motivated young talents, raising investment returns, and improving brand reputation.



Companies with higher ESG scores are generally viewed as being lower risk, and therefore will benefit from lower costs of capital. The potential savings in financing cost may vary from 1.15% to as much as 10% based on studies from MSCI and other agencies. That also explained increasing investor demand for companies with a strong ESG focus. Asset managers globally are expected to increase their ESG-related assets under management (AuM) to US\$33.9 tn by 2026, from US\$18.4 tn in 2021, with a projected compound annual growth rate (CAGR) of 12.9%.² In Asia Pacific, 80% of the asset managers surveyed plan to increase their ESG-related AuM in the next 24 months.

2. PwC's Asset and Wealth Management Revolution 2022 report





An important perspective highlighted and shared by the panelists is that institutional investors are increasingly putting ESG at the heart of their investment strategy as they incorporate climate scenario analysis into their expected return model, with a focus of investing in companies with a clear decarbonisation path. Companies with a clear climate objectives and decarbonisation roadmap are in a better position to command higher valuation, and conversely the lack of robust climate reporting and disclosure would force investors to vote with their feet.

Promoting standardisation of ESG metrics and disclosure is a critical step towards driving meaningful change and ensure that companies are held accountable for their sustainability efforts. HKEX is among the first exchanges to incorporate ESG disclosures in the listing rules, requiring its 2,600 listed companies to disclose the potential impact of extreme climate events. This has created opportunities for Hong Kong to set regional best practices in disclosures and take the lead in sustainable finance.

Helping our clients to thrive in a new future

New technologies, climate change, macroeconomic volatilities, and geopolitical conflicts are driving rapid shifts in the market landscape. Businesses running the race for sustainable long-term growth must take a transformative approach in order to lead with success. Speed and agility will be essential to success. It is clear that organisations must develop a deep understanding of these interrelated driving forces and how they might play out, in order to design their strategies, operating models, culture and talent models, supply chains, R&D and data strategies, and other key aspects of their business to seize the opportunities they present.

As an international community of solvers, PwC **builds trust in what matters**. We encourage our clients to understand what matters to their stakeholders, and we deliver assured information about the company's performance on these measures. Embracing a future that is human-led and tech-powered, we leverage digital tools and advanced technologies in all of our service offerings. We combine human ingenuity with technology innovation to help our clients deliver faster, more intelligent and better outcomes while building trust across the value chain.





Climate actions and investment in achieving sustainability, as well as supporting our clients to be successful in their own sustainability journey, are at the heart of our overall strategy. With deep sector-specific experience and expertise, we help our clients to redefine value propositions in sustainable ways that also differentiate their brand and impact in the market. Actively decarbonising the way we operate, we have made a worldwide science-based commitment to reach

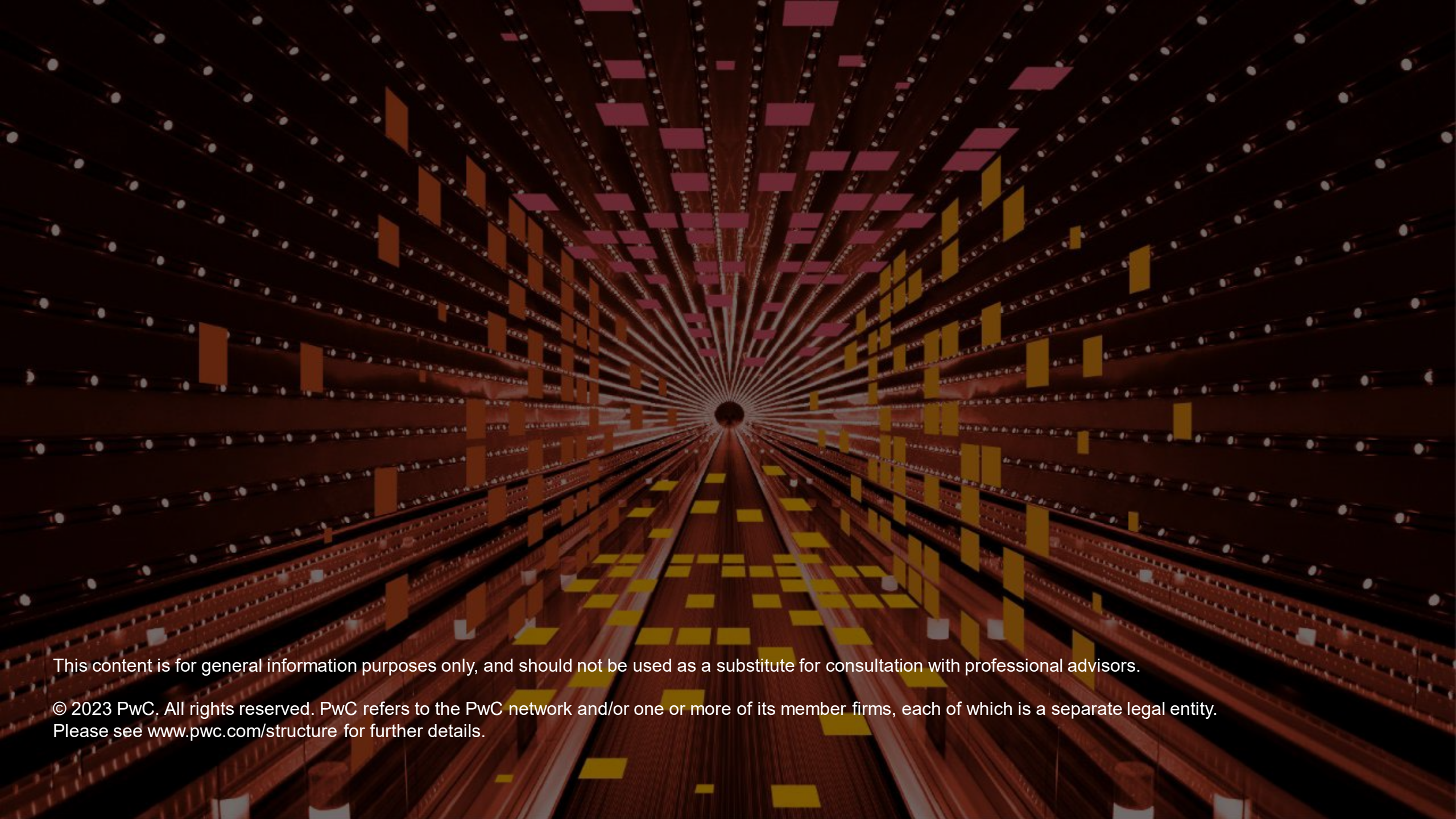
net zero greenhouse gas emissions by 2030. Having established our Asia Pacific Trust Leadership Institute, together with our major investment to build a state of the art campus – named Reimagine Park – in Sanya, Hainan Province, China, we are dedicated to equipping business leaders and young talents with new skills and knowledge, as well as innovation they need for a successful and sustainable future.



The key to sustainable growth is for companies to treat this wave of change not just as a risk to mitigate, but as an opportunity to emerge stronger with **business model transformation**. Companies must develop future-oriented strategies that integrate sustainability, innovation, talent and technology, AI in a synergistic way. We help our clients to adopt a holistic approach that balances short and long-term priorities, and hardwire agility into their strategies, structures and workflows.

At PwC, we are relentless in our commitment to build trust and deliver sustained outcomes. Our community of solvers is dedicated to supporting our clients in their transformation journey by providing innovative solutions with deep expertise, empowering our clients to succeed in an ever-changing landscape.





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