



The Global CEO Advisory Firm

Teneo Insights

Coronavirus: A weekly update from Teneo

A discussion between Jerome Hauer, Ph.D., Mark Weinberger and Kevin Kajiwara

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Kevin Kajiwara (KK): Good morning and good afternoon everyone and welcome to our weekly Teneo Insights call. I'm Kevin Kajiwara, Co-President of Teneo's Political Risk Advisory business coming to you live this morning from the West Village of Manhattan. It's our weekly call on the coronavirus. We're going to change it up a little bit today because I think as we have moved and evolved the conversation increasingly toward restart in the United States, business getting increasingly involved in the dialogue with the White House, etc. I wanted to get an executive perspective here. And so, joining me today is Mark Weinberger, he is a Senior Advisor to Teneo. But most of you will probably know him in his previous role as Global Chairman and CEO of EY.

But Mark also brings a lot of government experience to the table, serving the last four presidents. He was the Assistant Secretary of the Treasury for Tax Policy to President George W. Bush, served on the Social Security Administration Advisory Board to President Clinton, he was a member of the Infrastructure Task Force for President Obama, and he was a member of the Strategic and Policy Forums for President Trump. Today he also sits on the boards of Johnson & Johnson, of Met Life, and Saudi Aramco and he's the Senior Advisor to Stone Canyon Industries.

But before we talk to Mark, we're going to start as we typically do with an update on the outbreak. And joining me is someone who many of you will be familiar with and recognize his voice. Dr. Jerry Hauer, he's a Senior Advisor to Teneo Risk. Jerry is the leading expert in emergency response and management and crisis planning. He was the Commissioner of the Division of Homeland Security and Emergency Services for the state of New York and Director of the Office of Counterterrorism. And he was also the Acting Assistant Secretary of the U.S. Department of Health and Human Services for Public Health Emergency Preparedness.

So, where are we? Well, we've got worldwide cases of about 2.1 million, 640,000 of those are American. The death toll right now officially is at about 137,000, 32,000 of which are in the United States. Now, the economic data continues to be very sobering, of course. Yesterday the big number was the March total retail sales in the U.S., down 8.7%, the biggest ever. And we note that we only went into lockdown really in mid-March, even if that feels like a couple years ago at this point. And now of course the weekly initial jobless claims, which has now become the most-watched indicator of late, that just came out moments ago; 5.2 million, which now takes us to about 22 million jobless claims in the last month.



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We're going to be talking a lot about restarts today. You've been hearing a lot about that, obviously. But just note that in China, you know, coming off a very onerous lockdown -- much more onerous in some cases than what we've seen in the U.S. -- you still have the Russian border closed, you're still seeing a lot of businesses start fitfully. International flights remain curtailed. In Europe we're seeing very tentative restarts. Some stores and businesses opening. But as an example, large gatherings in Germany still will be curtailed through August. So, the point being that restarts are going to be fitful.

One bright spot that's worth mentioning is South Korea. I think there are very few democracies in the world that can match their success in either flattening the curve or containing COVID-19. But perhaps yesterday what we've seen is that success in doing so can translate at the ballot box. As recently as early March, President Moon had record low approval ratings due to the sluggish economy. And after it became apparent that they were being effective in what they were doing, that has now translated into yesterday's legislative election and historic victory for him, the largest ever majority in the legislature. And despite ongoing social distancing measures, they had record turnout, giving him a pretty robust mandate, I would say, for the rest of his term.

But Jerry, let me start with you, because obviously, as I mentioned at the outset, the tone has changed in Washington and in many of the state capitals. And clearly that tone has changed to one of preparing to reopen. But I'm sensing a kind of dissonance between, you know, what the public health, scientific, and medical communities are saying versus what some of the political rhetoric and even some of the business voices are saying.

Maybe the widest gap, actually, since the earliest days of the outbreak. And I wanted to ask you about that. First thing is the President last night indicated that the U.S. may have passed the peak. Can you comment on where the public health community is on that right now?

Dr. Jerry Hauer (JH): Yes, sure, Kevin. Thank you. I think that the notion that we have passed the peak is premature. At this point in time, we continue to see an increase in the number of cases. On average, about 25 to 30,000 new cases per day. And about 2 to 3,000 deaths per day. This stress between the economic community and the public health community is going to be ongoing. We cannot open the economy prematurely. A second wave at this point in time would be disastrous.

So, in order to get the economy going again, we need to have a number of public health measures in place to ensure we treat the ongoing outbreak and we reduce the potential for a second wave. In order to do that, we are going to need a significant widespread testing. Now, there's two types of testing, Kevin. There's viral testing, and we need that as we reopen the economy to ensure if we see new cases, we can catch them early and we can test, isolate, and trace contact to ensure we don't have any more of these outbreaks. And we're far from that. The other test that you're hearing about is antibody testing. The beauty of antibody testing is it gives us the opportunity to see who's been exposed, who has developed the antibodies, and can reenter the workplace in the first wave, because they're protected.

The other things we'll need are an ongoing reduction in the number of cases. We're going to need a really finely tuned public health system that's monitoring the cases. In addition, it's monitoring any potential spikes so that we can put them down, reduce the potential

for having a second wave. Finally, and equally as important, we are going to need therapeutics and a vaccine. When you think about the medical needs from a therapeutic and vaccine perspective, there are three categories. One is prevention as a vaccine. Two is reducing the disease itself. That's antivirals; stops the replication of the virus once it's in the body. And finally, you need something to immunosuppress. Because with this disease, the virus causes a hyperimmune response. The tissue - the body's immune system - starts destroying healthy tissue, and that's causing a lot of the deaths. That type of response is suppressed with something like hydroxychloroquine. Something we've been hearing quite a bit about. Unfortunately, at this point in time, even with the most accelerated pace, a vaccine is probably no sooner than 12 to 18 months out. So Kevin, that's kind of a quick summary of what we're going to need to reopen.

KK: Thanks. Let me just drill down on this just a little bit on a couple of the points that you just made. To the best of your knowledge, Jerry, what percentage of Americans have now been tested for the virus? And where are we on the development of the antibody test?

JH: The testing for the virus is a tiny number. It's 3 to 4 million, at best. And the ramp-up in the viral testing has been slow. As a matter of fact, last week we saw a dip in the number of tests conducted. We're not quite sure why that decrease in the number of tests happens. It might have been the holiday weekend. It could have been other factors. We're just not sure at this point in time.

As far as antibody testing, they are being developed. They are being rolled out very slowly. Widespread antibody testing is still sometime down the road. Part of the concern with the antibody testing is we have to ensure it's both specific and sensitive. We don't need false negatives and we don't need false positives. False positives would give people the wrong sense about whether they're protected or not. And those

people reentering the workforce with that false sense of security could lead to an increase in the number of new cases.

KK: So just to be clear here, I mean, if I've done everything that I'm supposed to do - socially distancing myself, masking, washing my hands and everything - and somehow I've come through all of this and I've never been infected. Irrespective of where we are on curve and whether the healthcare system is overwhelmed or not, I mean, just as an individual I'm as vulnerable as I've ever been, right?

And, I mean, if we're going to restart the economy, if we're going to let people go back to work or let people go shopping, go to restaurants, congregate, effectively, as you point out, we need to know who's infected, who's been infected, and who's at risk of being infected. Which all comes down to tests. I guess the point here is, what's striking is that fewer, about 1% of the American population, has now been actually tested for the virus.

JH: That's correct.

KK: So that's got to ramp up massively. I mean, I noticed Jeff Bezos yesterday indicated that he's setting up his own labs to test Amazon employees. When can we get - in your view - to the scale of testing that will allow this conversation to become more realistic about the reopen?

JH: Well, again, there's two tests that need to be done. And at this point in time, the viral testing continues to lag. And we just can't seem to get the volume of testing done in a very near-term period. We keep hearing the President talk about everybody's got testing. Then we hear that the testing is up to the governors. And a lot of states don't have the capability to develop their test, and particularly develop it on a mass scale. So that is going to take some time.

Antibody testing, again, we have got to get it right with antibody testing. And there are several companies, including New York State, developing their own antibody test. But it's got to be done in a way that we have absolute faith in it. We can't have 90% accuracy. We need to have 100% accuracy with these tests. The ramifications of having tests that give us false positives can really be disastrous.

KK: So, I want to turn to Mark here in just a minute, but I wanted to ask one final set of questions to you, Jerry. Because, you know, in a way I can't believe I have to ask you these questions, but unfortunately, the more calls I've been on the more these topics keep coming up. And I just want to address them once and for all. You've indicated to me in conversations you and I have had that science can tell if a virus is something that is essentially natural, if you will, versus something that has been manufactured. Is there any evidence that the coronavirus was manufactured in, you know, some Chinese lab? Or to give equal time here, that it was developed and dispersed by the U.S. Army in China?

JH: Yes, I think that there is every indication that this was a natural virus. The studies that have been done on the genetics of this virus are consistent with the genetics of any other coronavirus with the slightest differences because it is a novel coronavirus. If anything, at this point in time it certainly doesn't seem that this was anything brought over by the U.S. Army. Those kinds of conspiracy theories that always coincide with these kinds of events. The likeliest, if in fact it didn't come from bats that's in the wet market, the possibility is that this was a leak from the lab in Wuhan where they might've been working on the virus.

We've seen that in the past. In 1979 in Sverdlovsk, Russia, the Russians were working on the anthrax. They were actually weaponizing it when they had a leak of the anthrax through the chimney of one of

the labs. It wound up getting out into the community and caused 100 deaths. So those accidental kinds of releases we've seen here in the U.S., and it's a possibility that that happened in China with this virus.

KK: And you can answer this one with one word. And it is not spread by 5G, correct?

JH: It's not mutated or spread by 5G.

KK: Okay great, thank you very much. Jerry please stand by for the Q&A period. I just want to remind everybody that there will be time for questions for both of my guests today. But Mark, you know, thanks for joining us number one, and secondly I want to just sort of pickup with where Jerry was a minute or so ago and, you know, this notion that we're trying to find this balance between public and employee health and the imperatives of the economy and our individual businesses and just kind of get your thoughts as someone who ran an organization of about 300,000 people, and you operated in over 150 countries and frankly, you know, your importance to the economy is even greater because you've got so many critical companies and participants in the global economy counting on you for help, how do you strike that right balance?

Mark Weinberger (MH): Well thank you Kevin, and I appreciate you didn't pick up on the question of how the virus started with Jerry as opposed to how we get back to work. You know, a very simple example I think with business is how hard it's going to be for business to get through the other side. I use the example of you're walking on the street healthy, you get hit by a car, you break a leg. The first thing you focus on is stopping the bleeding and setting the leg. You need lots of different good doctors help to tell you when and how you could get to rehab.

And then you start maybe thinking about rehab and, you know, how well you do in rehab will depend on how healthy you were going in. If you're very overweight, if you're not in physical shape, if you didn't have great doctors or support system in the period that you are in crisis, you're probably not going to do as well. But now let's say you get through that and that's the period I think we're in now and you come out and you start to do rehab and you start to walk, and you think you're going to start to walk the way you used to or run the way you used to or get to work the way you used to, and you realize you can't do any of that for a while.

You're going to have to walk differently. You're not going to be running for a while. You're going to have to focus and accelerate maybe your exercise regime to get back in shape and some of your strategies that you were thinking about before the problem occurred, and you're going to have to have a new support system or supply chain in the business context of having people get you around, maybe working more remotely, doing things very differently. And those questions really have to be answered. And, you know, it's so hard right now because there's nothing out there.

You can evaluate your own, and this is what every one of the boards are doing. We're evaluating our own financials, looking short-term at the crisis management. The break so to speak here and stopping the bleeding, looking at liquidity, looking at debt covenants, looking at all those things. But as you think about your own situation, then you realize how much you rely on the bank's lending you the money and debt covenants and think about how much your supply chain and certain parts of the world is now greatly challenged and how you're going to get back to work and what you're going to do.

You're going to think about how you have to walk differently, in this case work differently, and have more remote types of activities. And especially in certain industries, you know, whether it be airlines

or the hospitality industry, you're going to have completely different consumer taste and preference. And understanding those are really important to how and when you get back to work. And so I would say right now my answer would be, you know, I think you got from Jerry, great insights as to what it takes to get the testing and tracking in place and the business communities involved now with the government and working as you saw this task force announced.

But as we all know and you teed up Kevin, it's very different in different parts of the world and very different in different states and it's going to be like a wave to get back to where we were. I think business right now also has to be able to think through what getting back to work means. You know, one of the requirements of many of these programs the federal government set up is that you keep all your workers which is great and important that we have these PPP payments and we have the assistance to businesses who will keep workers.

But realistically, you know, companies are going to restructure and over the intermediate term the workforce will change and be different. And it's not going to be feasible for airlines for example even after three months once they're operational, if they're not running at full speed, are they really going to be able to keep 95% of their workers? Are restaurants who are going to be maybe, half-full, going to keep all 100%. I mean there's going to be massive changes that have to be thought through as we go through this.

So I think it's going to be, you know, I'm an optimist in terms of if we can get the bleeding stopped and I think the federal government, we can talk about that if you want, but despite all the criticism and incredibly fast job of getting \$2 trillion out through the system, Federal Reserve unprecedented facilities to keep businesses around, but the next phase after you get through the crisis and how you come up is going to be more like the back end of a checkmark in my view than a V and take longer.

KK: So, I want to dive more into the business elements of all this, but since you brought it up, I want you to put your government hat back on for a second. So, as you point out, CARES Act was signed into law about three weeks ago, three weeks ago tomorrow I guess, and I know it's been referred to as a stimulus bill, but it's really a survival bill. Putting on your hat from your time in Treasury, how do you think it's going? I mean we've heard that a lot of small businesses, even those that have applied, not many of them have gotten the money yet. The checks to individuals have not yet gone out.

But, I mean, at the same time as you point out, the biggest fiscal program we've ever had, it passed with no debate and no argument bipartisan. The tough part then is actually getting the mechanics of this from Treasury and the Fed and everyone else to work. So, what's your assessment here?

MW: Sure Kevin. So, there will be plenty of time post- that there will be assessment and undoubtedly massive criticism no matter how this works out, because there will be many, many examples of people who get money who shouldn't and examples of people who didn't get money quick enough. But for context first as you point out, I mean, you just think about this. I mean in one week the Democrats and Republicans came together and put together a \$2 trillion package of relief to go to individuals and businesses.

Going back to the Financial Crisis in 2008 when one party controlled all of government, it took almost 2.5 months to get \$800 billion out in the TARP program and not out, I mean just enacted into law. So, it took two months before they even had something that could be executed. I remember back then, the last time we issued direct payments to individuals was in 2001 when I was the Assistant Secretary of Treasury, I was responsible for it. And I remember, we're brand new

into the administration and we had a new Treasury Secretary, a former CEO of Alcoa, Paul O'Neill and very business-minded, said, "We got to get this money out quickly." The president wanted it out quickly, lots of people are hurting and we had to issue checks at that point similar to what we're talking about now.

It hadn't been done since the Carter years. There were no printing presses available to issue checks. They had to be watermarked to prevent fraud, and there was a commitment early on to get them out in three weeks, and I knew that wasn't possible from all the great people who worked in the Treasury and other places were informing us it would take six months.

And so, we had initial overly promised and then realized it did take closer to six months to be able to get those out. Now fast forwards 19 years Kevin, and we got a lot more technology, direct deposits so it wouldn't take that. But my point is that you always think you're going to be able to do something very differently and more quickly than you can.

Remember the federal government is first of all very siloed. You have Treasury. You have SBA. You have the Commerce Committee, OSHA, FEMA. Everybody wants to and should have a hand in trying to help design this, and then you've got to figure out how to distribute it. And there is no mechanism for the federal government to directly distribute to people. They have to go through banks as they are through the mainstream program. They have to go through check-writing services and/or direct deposit systems, ADP and other.

They're following a FEMA approach which is basically locally executed, state-managed and federally supported, you know, natural disaster. That's how they work. And so, when you do that, it's going to require lots of different players. So bottom line, I would give them an A for speed of getting things done and putting

partisanship aside and recognizing the need, and obviously the grading system is still out on how well it's executed.

We know the original bumps were hard. But I'll tell you something, when you're sitting there and you know that two years from now like we did with TARP afterwards, we're going to be criticizing the people who were making these decisions for handouts and bailouts and giving wealthy individuals money they shouldn't have. They're balancing those decisions every day. They've come out so far on the side of let's get it out quickly and not worry as much about that, but it's always in the back of their mind because they are protecting the fisc. And as we all know, we have a huge financial burden that we're going to be dealing with on the other side of this, so they don't want to overpay either.

KK: And when you look at the array of needs that are out there at both corporate level, individual level, states, etc. And then, you know, look at this sort of prioritization that's being made on both sides of the aisle as Congress contemplates next moves, what do you expect to come next legislatively?

MW: Great question. That's the battle going on right now where each bill you do gets more politically difficult. It was very easy. You know, the money that went out first was to individuals and lower-income individuals. It really did target, you know, those people, below the poverty line and then certainly those up to middle income most by far and small businesses as well. The difficulty now is you've got to keep the institutions in place that are going to be dealing with the crisis. And so, once you turn from that and it's going to need more funding. We know that, and so that'll be a given. We're going to need more money to balance out those businesses and individuals.

Then we're going to have to target some of the industries that are affected. You saw the airlines be approached, specifically identified most recently, and that's to preserve livelihoods and jobs. It's not necessarily to protect the individual companies, but these industries are very important to us economically. That will have to be next and they're starting that. But the next step has to be in my view, states. States bear the burden of almost every aspect of delivering and funding beyond what the federal government puts out; all these programs, unemployment, Medicaid, state-run hospitals, educational institutions are all funded through the states. They've gotten no relief so far. They've gotten loans.

In the last facility there was some significant amount of loans put out to these businesses, but hospitals, as they shut down their discretionary operations and types of procedures that people get are losing all their money to do what they should be doing and focusing on this problem. Educational institutions, clearly and many of them are hospital related. I sit on the boards of Emory University and Case Western as well and they have big hospitals associated with them. I mean, there's really little revenue growth and mostly cut and huge expenses that are still going on.

So, I think state localities are going to have to get some additional funding here. Hospitals are going to need some funding here, and I think that will be some of the next focus as we go through the process in addition to additional funding for individuals and small businesses.

KK: You know, Mark we're going to have to have you back on because I think we could dive into this subject just for an entire call. But I do need to pivot here and when I introduced you, I mentioned the boards that you're sitting on, and obviously it's a very diverse set of companies there, pharma and medical devices in the case of J&J, insurance

and MetLife and of course oil at Saudi Aramco. All three of those sectors, have been impacted mightily by this outbreak not to mention the geopolitical element at Saudi Aramco. How are the boards navigating through this crisis and how have priorities shifted during this time?

MW: Yes, great question. And not all boards are the same. Again, if you're sitting on an airline board, you're really in crisis mode. Or, hotel board. Some of my good friends over at those places. You know, it is interesting. The companies, I'm fortunate, the three I'm on have very strong balance sheets. Great cash flow and liquidity. So, they're not necessarily focused on going out of business. The revenue hasn't dried up.

You know, obviously with Aramco on the oil side, clearly they have major reduction because of the price of oil. There are different elements in some of the other ones, but we don't have some of those pure liquidity problems. I'll tell you every board though is trying to be a sounding board for management. Not get in management's way. Clearly, they're stretched and strained. But there's going to be a whole host of new issues that I just briefly mentioned at the beginning coming out of this. And the boards that I'm on, we're pretty much meeting remotely obviously on a regular basis. Shifting our focus to first the liquidity issues that we talked about. Making sure that we'll be a going concern. Incredible stress testing different scenarios.

But first and foremost, every conversation is on the employees and making sure that they're healthy. Because there's evidence after evidence first of all that the harder you cut, the more you cut, the more you have negative employee reaction of what you're doing through crises, the slower you are to come out and the less well you perform relative to your peers.

And so, the only way you get out of this is to have strong employee base ready to go as soon as this is over. So, beyond the obvious cultural element of it, I mean you will really test some of these companies

under culture to see if they do put their employees and stakeholders up there with their shareholders. And I would be, I'm fortunate maybe, but the boards I'm on are clearly all focus on employee health and safety. Making sure they're coming through. Looking at the communities and what they can do.

You heard about some of the things Johnson & Johnson publicly stated about manufacturing the drug before they even know if they have a vaccine that works which is - I think they publicly stated a billion-dollar investment with some other people involved that, you know, right now is a difficult thing to decide to do. But that's when you have to do it when you really need to in a financial crisis like this.

So, I would say, Kevin, there is a focus on how you're going to work differently. The employees, stress-testing, but really also the judgments that are being made by the board, by the management. All you can do is ask really good questions and when you're getting answers to those questions dig down into how they're executing. Making sure the priorities are right. Making sure the culture is preserved.

It's not about the boards coming in and managing the companies at this point. What I said to our management teams obviously is that nothing you have done in your career has prepared you for something like this. And everything you've done in your career has prepared you for something like this.

You either have the strong teams in place and the systems in place to be resilient or you're in big trouble. You're not going to fix that overnight. So, you really need to focus on the margin of what you can do and help them through this.

KK: Yes, it's kind of like what Dwight Eisenhower said about war, right? I mean when the first bullet flies the plan goes right out the window, but planning turned out to be everything.

I want to ask you a little bit about, you know, obviously with the management of these companies working 24/7 on all the things you talked about. And so, the board is kind of making sure that everything is okay in a sense.

I know the SEC has made announcements and guidance regarding earnings announcements and communications with the street and so on and so forth. Talk about that a little bit.

MW: Yes, this is an excellent question. And this is something again we are all focused on at the board level is transparency and being as factual and transparent as you possibly need to be. And it goes to trust. And that's trust by employees. Trust by the analysts that are out there. Trust by your communities. Government, you're getting the money from. It's never been more important in my view. It's always important but it's never been perhaps more important to be overly communicating and overly transparent authentically. So, the SEC obviously has given us some guidance because when you talk about forward looking information you can get in a lot of trouble as a publicly trading company. Yes, we want to understand where businesses are, so they put out an announcement that basically says, listen, don't focus on what's on historical results, your first-quarter results when you go to your earnings calls. Focus a lot on where you are today operationally and financially. Focus on how the COVID-19 response will affect all your stakeholders, not just your shareholders. And then talk about how your operations and financial situation may change under the different scenarios that you're looking at. And really encourage them to look forward and not give predictions necessarily but to give some insight as to where the trouble spots will be.

And if you do so, you know, the SEC won't necessarily come after you for misstatements here because you're trying to provide real information. So, lots of focus by big companies, necessarily not only saying where they

are financially and operationally today and why they might have issues in some places or where they're going to be strong. But also, as we get through the system looking and saying, here's what we expect, if we open in three months, six months, nine months down the road.

What you're seeing obviously is a vast majority of companies putting their guidance on the shelf and saying we have no idea where we're going to be because it depends on when we're going to reopen, as Jerry talked about earlier based on testing and tracking and everything else. But J&J for example, just came out, one of the first companies to put out their earnings and actually did state lowered earnings for the year and increased their dividends.

And they had enough information based on the three businesses to do that and provide clarity in what they talked about in their earnings call. So, I think you're going to see different businesses and different industries handle it differently depending upon what situation they're in.

KK: Now in a sense you probably already answered this question, but you've got a unique perspective having run EY. Now, I know you sit on the audit committees of all three of these boards but how's the audit industry going to, you think, adjust in this? Or adjust how they are approaching companies?

MW: And that will depend in part two on the PCAOB and the SEC and the regulators and what they say to the audit industry. But clearly, what we have seen in companies I've been involved in, an amazing efficient movement to remote auditing and on time financial reporting, even in this difficult environment.

So, you know, I mentioned J&J and the other companies I'm on as well. The external auditors working with the internal audit teams have been able to get the financial reports done even though they're

obviously all out of the office in record time. So, it's a big strain on the industry to do that. But so far it seems they're stepping up quite nicely.

They're going to have some challenges because as the value of assets have gone way down, whether it's oil prices, whether it's airplanes, whether it's you name it and the revenues go down, what is material and needs to be put into the financial statements goes way up. And in building many new issues that businesses would never have had to deal with before now become material because of the loss in value.

And certainly, looking at valuation and impairment issues is going to be a big issue for the audit industry to focus on. So, I think you're going to see a lot of issues that pop-up. And again, here too, Kevin, I would just say the judgments that go into resolving these are what the boards and leadership need to focus on. Not getting into the detail of every one of them. I am guessing there will be similar steps by the SEC and PCAOB to look at best judgments and transparency. And if things are done that way and if mistakes are made because you can't value something in an environment where it's hard to value anything, they'll be appropriate recognition of that. But you really still need to go through the process of closing and disclosing and I think more information probably protects you because you're then explaining at least how and why your judgements were made.

KK: Yes, you know, one of the biggest developments in investing in the last couple of years has been the rise in prominence of ESG, so Environmental, Social and Corporate Governance related investing. And this is something that our colleague, Martha Carter talks to clients a lot about and is mentioned on this call in the past.

But investors are signaling, you know, after we emerge from this crisis, they still expect companies to make progress on sustainability issues. And, you know, what are or what can

boards do to demonstrate that they are overseeing the company's sustainability initiatives even in the midst of all of this.

MW: Huge issue and thank you for asking and Martha does a great job. I will tell you I think that you will get even more focus as we come out of this. This whole question of capitalism and what does it mean and stakeholder versus shareholder, the Business Roundtable statement, I was actually involved with, is going to become more relevant because what's happening here and Andrew Sorkin actually on CNBC said it well I thought recently, you're socializing losses and privatizing gains. And so, you're going to see lots of companies come out of this very strong and have huge profits and then private companies for the dry part of this sitting on the sidelines. Lots of companies get government assistance and come out, you know, okay. And then some, and many are still failing, and the taxpayer will have supported them through that process.

And we'll have to keep a real eye I think on this income inequality issue and capitalism again. And so, I think that the focus on ESG is going to continue and get even more important. I will tell you, every board I'm on and many boards I'm not on but my fellow colleagues I work with are trying to figure out what ESG means. We know it's important. We know that focusing on sustainability and employees and governance which is ESG at the highest level, all matter.

But there are no standards, you know like there are financial standards. There are no specific things that you can look at and get assurance from an outside party that you're being accurate on. The investor community is looking at it very differently in different ways. You know, you saw Larry Fink first talk about purpose. Now it's sustainability.

So, there's a lot of work being done to figure out what is the right way to report on ESG for your business and your industry. That will be I think very important. And lastly, I would say this is where you will win or lose the

war for talent, after this is over. If you will treat your E well, your employees and your communities, that part of the S that is societal, you will absolutely get better resources on the other side. Most companies realize that.

If you don't and you just focus on financial and shareholders, you will lose that trust and you will not recover at the same speed, so lots of people focusing on this.

KK: Yes, thanks. I want to open this floor to questions in just a couple of minutes here and hopefully our listeners will avail themselves of the opportunity to talk to you and to Jerry as well. But before we do, I want to, you know, ask you a little bit about how you see the business future a little bit.

I mean obviously, you know, when you were at the helm of EY, you know EY like a lot of other professional services firms, I mean their employees and partners are flying all over the world, I mean you've flown me all over the world. And I mean you've got to sort of single-handedly keep the airlines in business. Do you see on the other side of this, now that we've started to become accustomed to virtual meetings and things of that nature, do you think that an EY just as an example, will be flying as many miles on the other side of this anytime soon?

And things that have been so important to the profile of the firm. Large conferences like the Strategic Growth Forum in Palm Springs or World EY in Monaco every year and obviously all of the investment banks put these on too. I mean will those types of events continue to be as important as they've been in the past?

MW: Yes, obviously interesting question and one we could all just look in a crystal ball and guess. I'm of two minds on this honestly. When we go through a crisis, we always think the world is changing forever. And, you know, we went through 9/11 and people say, we're never going to fly again. And oh my God, we're doing incredible testing in TSA and nothing is going to be the same.

And then of course, five years after that we're way back to flying everywhere just with a little bit more friction in the system. And, you know, same if you go back to the financial crisis. We're never going to get highly levered because we learned our lessons. And then, of course, you know, we're more levered now, even before this crisis, at business and government levels than we were before the financial crisis.

So, we have a short memory at some level. But there's no doubt I think that we'll see an acceleration of things that would have happened anyway. So, my example of the individual that gets hit by a car, if you're going to die - you're not really going to die. If you were going to walk around less and travel less you know, you're now probably going to do more remote things and you're going to accelerate that.

You may not completely change strategies but in the example you give, you know, I'd say EY, probably at any point in time, maybe at 90% or so of its folks, that's very mobile, traveling around the world. Remember it doesn't have manufacturing, it's all people as you said. You know, maybe it's now down to 10% or less. It probably won't stay at 10% but it probably won't go back to the 90% so it will be very different.

I think companies are going to look at their supply chains and have to make changes. 90% of the Fortune 1000 have their tier-one or two supply chains in the

most affected regions in the world and they realize the difficulty of that. It doesn't mean they're going to move them all tomorrow but they're going to have to have duplicate supply chains and move things closer to market, so we'll see that.

Workforce will definitely, I think. Technology, you know, acceleration of workforce remote acting will happen. It has to. The money you save, the environmental footprint that you don't have, I think people will look at ways to definitely figure out what does that mean and how do we do things differently? And digital strategies are going to accelerate.

There's no doubt technology here has clearly proven, you know, despite all the concerns about it and it was going to be regulated, regulated, regulated just before this crisis, it's helping us out of it quite dramatically. Maybe we're tracking and testing but certainly also with working from home and bandwidth and everything else, that's getting us through the crisis. So, that will accelerate.

So, I think you'll see acceleration of strategy and trends Kevin. I'm not sure you're going to see the whole world change forever, completely differently for the reasons I said at the outset. That we do have short memories. We do like to be social. We do like to get together. There is a value of being in the room with people but we're going to have to be more careful and we're going to have to do it probably a little differently than the past.

KK: Let me just ask you one final question before we go to Q&A and that is, you know, maybe this is a slightly more touchy-feely question in a sense. But, in my business, in the Political Risk Advisory business, you know, we help clients as you know, try to see around that corner and what the environment is going to look like.

But ultimately, the CEO's job is a pretty lonely one. And ultimately, you're going to have to make decisions and I know you're surrounded by great people and you're supported by a great board and so on. But at the end of the day decisions have got to be made with less than perfect information and that is even more true today.

Give us a little insight into that kind of, you know, being put into that position right now and how you make the most gut-wrenching decisions knowing that you don't have a clear view?

MW: It's a great point. And something that, you know, I said to my successor when he took over. He said, what do you think is the most different from when you took over, when you first got the job? And I said, well, I suddenly was a lot smarter and made much better decisions. And I was much better liked when I had the CEO title immediately.

And don't forget a lot of that is just a title and you're not getting all the information you need to do the job if you really believe that. And it is true. I mean at that level you don't get all the necessary information. You know, listen, we can go back to 101 in business and it's never been about how smart you are and how technical you are.

It's always been about how you enable and empower a great group of people to be able to do things. And do they, are they free to bring themselves to work and talk to you about the issues within an environment where, you know, they can ask questions and say things that may not be directly on strategy. If you create that environment, you're better off but also, I would say where you see now the CEO, I relied on my colleagues in the business roundtables. Tremendous external insights. They're right there on the same position. I had one on one calls with people across industries to

get information outside the organization. I even talked to analysts to understand how we were being looked at externally and, you know, and talked about to understand how we are perceived as well as how we think we're perceived. So, that communication, those questions, those relationships are more crucial than ever in environments like this.

KK: Let me just ask one other question Mark, of you while I've got you here because you mentioned this a couple of times. You know the importance of employee support and being ready to go when you can again. And I know that this is an area of great concern to most of America frankly. It's of great concern I feel even amongst my own colleagues at all times especially, you know, younger people who have not been through the crises, the financial crisis or 9/11. Or anything like that.

But I know this is something that is really near and dear to your heart. You know, especially with all the work you did with Linda Rothschild and the Coalition for Inclusive Capitalism and all that. But can you give us a little more insight onto that front?

MW: Yes, well first and foremost, coming out of this, again, I think you really either make or break your bond to your employees. If they truly believe that you have their safety first - remember they're going to be scared to come back to work. Lots of our employees are especially, you know, depending on what industry you're in, they're going to be scared.

So, you have to make sure that they feel protected. That's going to be really important. And then upskilling and reskilling is the most important thing we can do for our employees because no longer do you come out of

college and you've been trained for life. At my old firm at EY, you know, we spent over half a billion a year just training our people on top of, you know, all the other things we gave them, mentoring, anything like that.

When I was talking to my successor recently, he said that during this period the online training, because people have more hours when they're not traveling and at home, went up over 50%. We issued badges to people in places like artificial intelligence, digital and technology. And you earn those badges internally and externally, they're validated, and it polishes your personal brand.

I think individuals are going to continue to be looking for that from their employers especially now. Safety, are they going to be safe? Are you reskilling and upskilling me for the change my job's going to have or are you just replacing me? That's crucial to really I think rebuilding your presence after we come out of the other side of this. And so, you know, many firms do that very well and I think you're going to see more of it.

You know, another day Kevin, we'll be discussing the educational institutions that ran and whether they're providing the right skills for the workforce of the future. I think there's a lot of work to be done there. Obviously, the Administration has picked that up. Ginni Rometty from IBM has been all over this. I mean we need more technical skills for people in the trades and we need a whole different way to find people to be put in the right jobs not just to go get four-year degrees for nothing. Although believe me, for the people who could afford it, it's great. But most people can't.

And so, what does that mean? I think there's a whole host of things here on the education front that's going to change as well.

KK: And what do you think about, you know, in some ways, you know, both you and Jerry have answered this question to a certain point meaning a, people have got to feel safe going out into public. And they've got to feel comfortable that they've got employment and paycheck coming in. But so much of what we're talking about institutionally is getting the economy restarted and getting people back to work and so on and so forth.

But as we've seen in China, you know, one of the challenges has been getting people to go to work and then those people are leaving and they're going home. You know, the stimulus for demand is slower and much more difficult to reinvigorate, you know, to stop at that store. To stop at the mall. Stop at a restaurant on the way back from work.

What else do you think is going to have to happen here or will happen with regards to re-stimulating consumer demand which obviously, you know, is somewhere between 60 and 70% of GDP in this country?

MW: Yes, I'll take first shot. I don't know if Jerry wants to answer that too. I think, you know, this is where I am of two minds. I think people are thirsting. You're seeing it in the United States. In certain states across the United States where they don't have the New York or California spike, they're demanding to get back to socialization and work.

You saw it with the younger kids around the beaches and, you know, didn't want to take spring break off. I actually believe we're very resilient people across the world and I think we want to get back to socially engaging. We just got to feel that it's not going to impair our health and that goes to the testing and tracking. And frankly to a vaccine.

When you know that you can be vaccinated against it or if you have a cure and you get sick it will make you better that's obviously important as well. That's why everyone's focusing on vaccines and cures and that's when definitely we'll be back to maybe not 100% of where we were but I think people will have the same natural instincts to get back out.

And in every single crisis it looked so dark before we got to the other side. We have an incredibly resilient capital economy driven by, as you say, consumers and our people. I think it will come back as soon as we get some of those things in place just naturally. You can't rush it. It's going to come back when we have those safety things in place.

KK: Well I'm aware of the time here and I just want to thank both of you guys. And I'm really appreciative because I know, you know Jerry and I always seem like Dr. Dooms on this call. So, it's great to have somebody that's got a glass half full way of looking at the world. And we really appreciate it. And I think that hopefully we'll be able to have you back and dive deeper into a number of these subjects which justify entire calls on their own.

But Mark, thanks very much. It's good to hear your voice. And I'll miss you in Monaco this year but hopefully you guys will get it back together in 2021. And with that everyone, thank you Jerry. Thank you, Mark Weinberger. Thanks for joining us today. Have a good week and we'll be back on next Thursday. Have a great day.



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