The cyber resilience challenge
Is security the price to pay for innovation in the digital age?

Trust and reputation
Purpose before profit
Better sustainability reporting
Battling bribery
BEPS-readiness for CEOs

Faces of innovation
Robotic process automation: make it work
When corporates meet start-ups

ASEAN 50
Growing economic prowess
Harnessing digital disruption
In today’s rapidly changing world, having an informed view of tomorrow is vital. That’s where we come in. *Spotlight on Business* offers you global perspectives and insights into business issues that matter to you. Knowledge that can help you take your business forward with confidence.
Welcome

Certainty in resilience

Eradicating danger is a basic survival instinct. Yet, in these uncertain times, safeguards alone no longer guarantee a secure future. With “unknown unknowns”, succeeding necessarily means dealing with disruptions deftly and confidently as they emerge.

External threats are mounting, judging from the recent cyber attacks occurring worldwide. Internal threats are equally significant: you are only as strong as your weakest link, and employees – whether due to ignorance, complacency or malice – can expose organizations to a multitude of risks spanning cyber, fraud and corruption.

There are less overt risks that C-suite executives need to be mindful of too. For one, the Base Erosion and Profit Shifting Action Plan, which is first and foremost a tax concern, can have far-reaching impact on operations and structure. Those who neglect the nexus between their tax and business strategies may be blindsided on the wider enterprise risks that ensue.

Clearly, failure to manage risks has legal, reputational and financial repercussions. Regulators, investors and the public expect organizations to not only be safe, but also ethical and sustainable, with transparent and robust disclosures to match. How sustainability reporting has become embedded in mainstream consciousness bears testimony to this, even as organizations continue to strive for best practices in nonfinancial reporting.

With increasing stakeholder obligations, technology like robotic process automation could well be the answer to improved reporting efficacy. A business-led approach is key to any automation initiative; when executed as an IT project, the return-on-investment is often compromised.

At a time when the world looks to be a landmine of risks, growth opportunities still abound for the astute and innovative. Corporates and start-ups are drawing strength from each other to cross-pollinate and co-create success. There is also much optimism for businesses operating in Southeast Asia. As ASEAN celebrates its 50th anniversary this year amid wider geopolitical uncertainty, the region continues to tell a compelling story of positive economic growth and investor appeal.

Can uncertainty be your best opportunity for growth?

Resilience matters – and organizations which draw strength from a deep sense of purpose that transcends self-interest and profit will be much more enduring.

Max
Managing Partner, EY Asean and Singapore
Ernst & Young LLP
The digitization journey agenda for forward-looking enterprises has created huge opportunities and conveniences but in the wake of increasingly sophisticated cyber attacks, nations and organizations are challenged to go beyond cyber agility to build true resilience.

When corporates meet start-ups and mash-ups

Corporates and start-ups find common cause in achieving innovation for growth. The forms of agile collaboration are evolving, including the rise of industrial mash-ups.

Strong trade and investment interest powers ASEAN’s growth

2017 marks the 50th anniversary of ASEAN. The region’s robust economic and trade dynamics, and infrastructure developments continue to drive investors’ interest in the region.
Combating fraud: clarity and consistency needed
A lack of clarity and consistency in compliance policies leads to ethical standards not improving despite more sustained efforts to fight fraud and corruption.

Raising the bar in anti-bribery
The new Singapore Standard on anti-bribery gives new impetus for companies to review their anti-fraud polices and build an ethical culture.

Bullish ambitions in middle market
Middle market executives view uncertainty as grounds for opportunities and the lack of skilled talent and technology disruption as top challenges.

Global IPO markets rally
Activity in 2017 is set to outpace that of last year in both value and volume with Asia-Pacific seeing the best first half in 15 years.

Thinking purpose before profit
Purpose – not profit – has emerged as key to success amid uncertainty. The challenge lies in turning purpose rhetoric into business reality through actionable pathways.

Demystifying BEPS for CEOs
Base Erosion and Profit Shifting (BEPS) is more than just a jargon affecting tax practitioners. CEOs that understand its enterprise-wide impact will benefit from the alignment of its business strategy and tax strategy.

Sustainability reporting: from good to great
While having more companies undertake sustainability reporting is a positive trend, core to delivering the purpose of doing so is the quality and depth of the reports.

ASEAN: seizing the upsides of digital
Successfully bringing together the ecosystem of government, businesses and consumers holds the key to leveraging digital to support broader ASEAN economic integration.

Robotic process automation: get it right
Robotics process automation is not just a series of IT-led projects. It must be grounded in a strong business case and be business-led, and proper planning will make all the difference.
Contributors

Saket Bhartia
Executive Director
Fraud Investigation & Dispute Services
Ernst & Young Advisory Pte. Ltd.
+65 6309 6758
saket.bhartia@sg.ey.com
Saket is well-versed in forensic investigations, code of conduct violations investigations, anti-bribery compliance framework setups, anti-fraud controls reviews, brand integrity and supply chain leakage reviews. Saket has worked with large organizations and has experience delivering projects across 16 countries.

Pascal Bornet
Advisory Director and Lead for Robotic Process Automation in Asia
Ernst & Young Advisory Pte. Ltd.
+65 6309 6329
pascal.bornet@sg.ey.com
Pascal is experienced in leading large complex transformation programs for multinational companies, particularly on intelligent automation, digital workforce, robotic process automation, shared services centers and outsourcing. He has helped his clients achieve greater business and process efficiency, cost optimization and enhanced customer experience.

Adrian Koh
Growth Markets Leader, Asean Assurance Partner
Ernst & Young LLP
+65 6309 6275
adrian.koh@sg.ey.com
Adrian has more than 20 years of public accounting experience. Adrian is actively involved in the IPO market. He is the Asean Growth Markets leader and focuses in serving IPO-aspirants, entrepreneurs, family businesses and private equity firms.

Steve Lam
Partner, Advisory Services
Ernst & Young Advisory Pte. Ltd.
+65 6309 8062
steve-yk.lam@sg.ey.com
Steve leads a team of professionals specializing in cyber threat management, vulnerability identification, threat intelligence and incident response in EY Advanced Security Center in Singapore. His experience spans a wide range of industries including banking, government, telecommunications and high technology companies.

Chris Sanger
Partner and EY Global Tax Policy Leader, UK
Ernst & Young LLP
+44 7956 105723
csanger@uk.ey.com
Chris leads EY’s global tax policy network, uniting our network tax policy advisers in the 140+ countries in which Ernst & Young operates. Chris has wide-ranging experience at a senior level in advising governments internationally on technical policy options, tax legislation, economic matters and fiscal costings.

Belinda Tan
Partner
Fraud Investigation & Dispute Services
Singapore
Ernst & Young LLP
+65 6718 1090
belinda.tan@sg.ey.com
Belinda leads the Fraud Investigation & Dispute Services in Singapore. She is experienced in investigations, anti-corruption and litigation support engagements in Asia-Pacific and Greater China. She has served clients including statutory boards, trading, contract-manufacturing and pharmaceutical companies as well as fund managers and venture capitalists.
Editorial
Ho Ying Shan
Sophia Mah

Design
Soo Soon Tat

Managing Editor
Max Loh

Editor
Donna Liew

Joongshik Wang
Partner, Transaction Advisory Services, Singapore
EY Asean Transactions Leader for Technology, Media and Telecommunications
Ernst & Young Corporate Finance Pte Ltd
+65 6309 2918
joongshik.wang@sg.ey.com

Gerry Chng
EY Asean Cybersecurity Leader
Ernst & Young Advisory Pte. Ltd.
+65 6309 8594
gerry.chng@sg.ey.com

Max Loh
Managing Partner
EY Asean and Singapore
Ernst & Young LLP
+65 6309 8828
max.loh@sg.ey.com

Jonathan Rees
Digital Lead, Asean
Partner, Advisory Services
Ernst & Young Advisory Pte. Ltd.
+65 6309 8680
jonathan.rees@sg.ey.com

Chung-Sim Siew Moon
Head of Tax Services
Singapore
Ernst & Young Solutions LLP
+65 6309 8807
siew-moon.sim@sg.ey.com

Yeo Eng Ping
Managing Partner, Asean Tax
Ernst & Young Tax Consultants Sdn. Bhd.
+60 3 7495 8288
eng-ping.yeo@my.ey.com

Max has overall responsibilities for the operations of the Singapore member firms’ practice and Asean Region. He has extensive experience in providing audit practice and business advisory services, having been involved as an audit partner with various listed companies, responsible for their financial statement audits and internal control reviews.

Joongshik has successfully delivered over a hundred M&A deals for private equity funds, multinationals and local corporations. He has decades of experience as a management consultant at global strategy consulting houses where he previously led strategy and consumer technology practices that spans across Southeast Asia, China and Korea.

Gerry has extensive information security experience. He provides advisory services to clients for their information security initiatives including governance, policies, operations, risk management, as well as assessment of the security of a technological environment.

Siew Moon has over 30 years of experience providing tax compliance, controversy and advisory services to her clients. She provides advice on structuring, cross-border and M&A transactions, and is experienced in negotiating and applying tax incentives, advanced tax rulings, tax clarifications and remissions.

Jonathan has extensive experience working in high-growth technology arenas, systems integration and digital media. He is focused on areas including customer experience, service design, analytics, mobility, digital media, and digital risk and governance to help businesses plan and deliver their digital strategy.

Eng Ping is the EY Asean Tax Managing Partner and also heads the Transaction Tax unit in Malaysia. She has 20 years of experience in professional services, including tax services, and advocates at tax appeals before the Special Commissioners of Income Tax. She is experienced in M&A and Malaysian inbound and outbound investments. Her clients include private equity funds and multinational corporations.
Human at the heart of the business

Amid concerns about automation dehumanizing the business and work experience, a focus on the human element and technology can enhance the work experience and bring greater purpose to employees.

From the worker …

75% By 2025 millennials will make up 75% of the workforce – and life expectancy is still rising, so up to two thirds of babies born in the last year could live to be 100

18% Around 18% of the workforce is currently contingent – and firms expect to increase their usage to 25% to 30% or even more within less than 10 years

… to the workplace …

35% Within the next five years, 35% of skills considered important in today’s workforce will have changed

65% 65% of millennials say the opportunity for personal development is the main driver in their current job

… to the organization.

33% Smart machines could replace 33% of jobs by 2025

87% 87% of business leaders believe that companies perform best over time if their purpose goes beyond profit

5G to transform future of telecoms

Telecommunications carriers globally expect a range of network technologies to support industry transformation on the road to 2020, with attention on 5G and IoT.

Which network access technologies will have the greatest impact on the industry over the next five years?

Not all purposes are created equal

The right kind of Purpose is important, but this must be integrated into an organization to fully unlock value.

Definitions of Purpose

Having an aspirational reason for being that is grounded in humanity and that inspires a call to action

Maximizing shareholder value

Bringing value to customers

Creating value for employees

H1 2017: Global IPO market defies uncertainties

Recording 772 deals and raising US$83.4b, the global IPO market in the first half of 2017 saw one of its strongest starts in nearly a decade. Asia-Pacific accounted for 61% of IPOs worldwide and 44% of global proceeds.

Regional share by number of IPOs H1 2017

Asia-Pacific 61%

EMEIA 26%

Americas 13%

ASEAN on the investment radar

Among emerging markets, ASEAN is a key growth hotspot with wide business and investment opportunities, seeing strong growth in foreign direct investments.

ASEAN FDI inflow (US$b)

CAGR %, 2005-15

Total FDI 11.5%

intra-ASEAN 18.5%

Extra-ASEAN 10.4%
FinTech poised for mainstream adoption
By focusing on the customer proposition and leveraging technology in novel ways, FinTech firms are gaining traction in the market.

Average adoption: 33%

FinTech adoption at a glance

Notes: The figures show FinTech users as a percentage of the digitally active population. All figures are shown in percentages.
*Belgium and Luxembourg
**Hong Kong SAR of China

Insurance agents: Ready for the digital future?
A survey of insurance agents in the US found that while most are positioning to be part of the digital future, some are not.

47% would significantly value an app to guide them through a customer interaction and display advice or prompt for next best action
63% would significantly value illustration tools to help them with sales
77% would significantly value a piece of tech that automatically identified potential opportunities within their existing book
50% highlight the need for new and innovative products to grow their business

Tax risk takes hold against globalization
Against the explosion of new transparency and reporting measures that have swept over the global landscape in recent years, tax and finance executives around the world are experiencing an increased regulatory focus on cross-border transactions.

Have you experienced any of the following events in the last two years?

- An increased focus by tax authorities on cross-border issues and/or transactions: 58%
- An increase in disclosure and transparency requirements: 55%
- An increase in the number or aggressiveness of tax audits: 41%
- An increase in the application of general anti-avoidance rules or specific anti-avoidance rules: 18%
- The use of “name and shame” techniques by tax authorities: 8%

Corporate brief

Top professional services employer
Universum ranks EY as world’s most attractive professional services employer – and the fourth most attractive employer overall.

EY Asia-Pacific Centers of Excellence expand
Having doubled the headcount, the centers are developing new innovation capabilities including virtual reality for business applications.

Tax Technology and Transformation services
The newly created group helps organizations redefine their tax functions and drive transformation for the digital age.

Enhanced capabilities in cybersecurity and SAP delivery
With the acquisition of Open Windows Australia Pty Ltd and Brightree Solutions Sdn. Bhd., EY bolsters its capabilities in cybersecurity and SAP delivery.

Over 600 newly promoted partners worldwide
EY announces that 669 people globally have been promoted to partner, with women representing nearly 30% of the cohort.
How do we disrupt aging before it disrupts economic growth?

Aging as a demographic shift is arguably a disruptive force that is on par with technological dislocations such as artificial intelligence and the Internet of Things. The costs of treating diseases of aging threaten to overwhelm health systems, companies and governments. Working together, governments, corporations and individuals have an opportunity to disrupt aging before its costs displace other priorities. But a mindset shift is needed. First, health must be reframed as a lifelong asset worthy of investment. Second, individuals must be empowered by new tools and data to prioritize their own health, engaging proactively rather than waiting for disease to arise. As aging is repositioned as longevity, stakeholders must focus less on physical and cognitive debilitation and more on mechanisms to improve human performance and social connections. These mechanisms could be new technologies or health-related services built on the sharing economy, and regulations that encourage integration of services into a common platform will drive the proliferation of healthy aging innovations.
The cyber resilience challenge
across 150 countries in 3 days in May 2017. Hospitals, transportation systems and business operations were disrupted. The culprit behind the chaos? A single cyber weapon – the WannaCry ransomware. Just a month later, another malware, Petya, hit systems worldwide.

Organizations have come to accept that the threat of a cyber attack is real – and ransomware is only one of the many forms of breaches. Is security the price to pay for the benefit of innovating in the digital age?

As nations and organizations continue to invest in rapid digitalization to advance economic and business opportunities, efforts to maintain cybersecurity must keep pace, if not ahead.

“Cybercriminals are trying to gain access to government and public sector systems, which poses a significant threat to national security and essential services. Smart nations must be secure nations, and that does not happen by chance,” cautioned Steve Lam, Advisory Partner, Ernst & Young Advisory Pte. Ltd.

Singapore is currently home to more than half of Asia’s data centers and given several favorable location factors, this is expected to increase. This concentration of data centers makes Singapore a probable target of cybercrime and heightens the need to focus on the cyber risk environment.

Not surprisingly, over the last few years, the country has been driving strong regulatory guidance to uplift the adoption of digital platforms as well as address the corresponding risks. The Cybersecurity Bill proposed on 10 July 2017 introduced a new legislation where critical information infrastructure (CII) owners are now held accountable by law to ensure the cybersecurity of CII owners are now held accountable by law to ensure the cybersecurity of CII under their care.

In the EY 19th annual Global Information Security Survey 2016-17, Singapore respondents agreed that more needs to be done. Many said that their cybersecurity function does not fully meet their organization’s needs.

“This is worrying because organizations now, more than ever, need to think beyond just detection and protection to achieve cyber resilience – an organization-wide response that helps them prepare for and recover from inevitable cybersecurity incidents,” said Gerry Chng, EY Asean Cybersecurity Leader.

How can nations and organizations move from cyber agility to cyber resilience? Gerry Chng and Steve Lam discuss.
Why is cybercrime a real and growing threat to nations and organizations?

Steve Lam (SL): “Cybercriminals have evolved into highly organized criminal outfits with enough funding and even political backing to execute sophisticated cyber attacks. The recent WannaCry ransomware targeted a vulnerability in computer systems that was already known. As ‘nation-states’, international political organizations, continue to stockpile their knowledge on vulnerabilities that are unknown – ‘zero-day’ vulnerabilities, cyber warfare will only intensify.

Our technological vulnerabilities are increasing as the pace of digital adoption by end users continues to outpace the level of cybersecurity awareness necessary to use the technology safely.

Consider how billions of people are connected to the internet today, with the number of connected devices to exceed 50b by the year 2020. The Internet of Things’ qualities allow businesses to rapidly and automatically disseminate information but these very same capabilities can be exploited and used by cybercriminals for massive scale cyber attacks, as the world had experienced in the WannaCry and Petya malware attacks. Both utilized highly effective wormlike propagation techniques to move laterally within an infected system without the need for human intervention.

In the future of smart cities and smart industries, where there will be even greater connectivity, the challenge for nations and businesses will be figuring out how to secure devices in this future internet of ‘insecure’ things.”

Gerry Chng (GC): “The digital world is not only interconnected, it is also borderless and therefore challenging for nations to regulate. The availability of the dark web – the infamous ‘hidden’ part of the internet, has resulted in information asymmetry. Attackers are using their access to vulnerability information, which may not be known to vendors nor organizations, to launch new lines of attack.

Cybercriminals are not mere users of technology, they are innovators. Their cyber attack strategy is ever evolving and increasingly sophisticated. Over time, the cyber enemy has shifted their attack strategy to deploy targeted and persistent attacks, as was the case with the WannaCry ransomware attack where two variations followed from the initial attack. This makes traditional cyber rules-based detection methods ineffective in detecting such low-noise attack patterns.”

To what extent can nations like Singapore be both smart and secure?

SL: “As Singapore moves towards fulfilling its Smart Nation goals, there will be an increase in the number of interconnected sensors around the nation, which will feedback useful data that can be analyzed for insights. Greater interconnectivity also helps to boost the nation’s security defenses. For example, EY has worked with the local authorities in one country to install a smart monitoring system throughout the city, which has helped the police force greatly improve its search efficiency and efficacy.

We must also recognize and learn how to balance the risks that come with digital progress. The reality is that the economy and critical infrastructure can be severely damaged if the private sector is compromised by cyber attacks. But defending the nation’s assets is not just the government’s responsibility but a shared responsibility with its individuals and organizations. The Cybersecurity Bill sends a clear message to CII owners and operators in Singapore that cybersecurity is non-negotiable and has elevated the issue to a board-level concern.”

GC: “Legislation is just the baseline. Full compliance with the codes of practices and performance standards does not guarantee safety. As the nature of cyber threats continues to evolve, the nation cannot be defended by legislation alone, its security will also have to fall back on its citizens, businesses and governments to keep pace with technologies
Organizations realize they need to shift their approach from cyber agility to cyber resilience, to go beyond quick detection to deploy a quick response when the inevitable attack breaks through security measures.”
and maintain cyber vigilance. When the WannaCry ransomware attack occurred, most companies responded in panic and in a disorganized fashion, revealing a lack of preparedness on how to deal with a cyber attack.

In addition to collaborating and establishing a united front against the cyber enemy, governments and organizations need to be bold and innovative in their solutions. The Singapore government was the first in the world to embark on an internet separation exercise to protect sensitive data by taking it off the internet. In the private sector, large enterprises have also started exploring alternative solutions such as the development of a private secured internet for business that would be separate from the public internet.

The next cyber attack is not a matter of “if” but “when”. What can organizations do to better protect, defend and respond?

**GC:** “Organizations have come a long way in preparing for a cyber breach. The majority of Singapore companies told EY in the 2017 survey that they are confident of their ability to detect a sophisticated cyber attack. Juxtaposed against the recent victories of cybercriminals, affected organizations are pondering if their confidence has been misplaced – Why have they not been able to sense nor resist these attacks? Could the recovery processes have been better managed?

In a world where cyber attacks are the norm instead of a rarity, organizations realize that they need to shift their approach from cyber agility to cyber resilience, to go beyond quick detection to deploy a quick response when the inevitable attack breaks through security measures. In the event of attack, they will need to have a plan and be prepared to repair the damage quickly and get the organization back on its feet. If not, they put their customers, employees, vendors and ultimately their own future, at risk.

There are no quick fixes to becoming a cyber resilient organization. Organizations will need to review their entire infrastructure, applications inventory and data management investment roadmap to identify opportunities to re-architect proper trust mechanisms into their environment over time. For long running establishments, one of their key challenges will be dealing with their organization’s legacy baggage of infrastructure build-up that makes re-architecting security into their environment difficult. The WannaCry attack targeted vulnerabilities in older operating systems that were not patched with the latest security updates. This ‘patchwork’ approach, where security patches simply get built on top of existing layers over time, builds up risk in the infrastructure over time.

In today’s evolving world of cyber threats, organizations need meaningful visualizations of what is going on in their environment to better discover the ‘unknown unknowns’. This can only be achieved by bringing together cybersecurity professionals, data scientists and interface designers to mature their organization’s data visualization capabilities.”

**SL:** “In sports, a good line of defense requires teamwork and unity. The same principle applies to cyber defense. A good breach response plan is multi-faceted and should not be considered a solely technical activity that is the responsibility of the IT department. An enterprise-wide approach, especially involving the key functions: business, IT, regulatory compliance, general counsel, customer service and public relations is absolutely critical for organizations to contain the breach, for stakeholders to be informed and assured, and for decision-making to be expedited. To implement the plan, organizations need to develop cybersecurity incident playbooks detailing the roles and responsibilities for key stakeholders and set up regular role play sessions for practice.”

---

**Q** The next cyber attack is not a matter of “if” but “when”. What can organizations do to better protect, defend and respond?

**GC:** “Organizations have come a long way in preparing for a cyber breach. The majority of Singapore companies told EY in the 2017 survey that they are confident of their ability to detect a sophisticated cyber attack. Juxtaposed against the recent victories of cybercriminals, affected organizations are pondering if their confidence has been misplaced – Why have they not been able to sense nor resist these attacks? Could the recovery processes have been better managed?

In a world where cyber attacks are the norm instead of a rarity, organizations realize that they need to shift their approach from cyber agility to cyber resilience, to go beyond quick detection to deploy a quick response when the inevitable attack breaks through security measures. In the event of attack, they will need to have a plan and be prepared to repair the damage quickly and get the organization back on its feet. If not, they put their customers, employees, vendors and ultimately their own future, at risk.

There are no quick fixes to becoming a cyber resilient organization. Organizations will need to review their entire infrastructure, applications inventory and data management investment roadmap to identify opportunities to re-architect proper trust mechanisms into their environment over time. For long running establishments, one of their key challenges will be dealing with their organization’s legacy baggage of infrastructure build-up that makes re-architecting security into their environment difficult. The WannaCry attack targeted vulnerabilities in older operating systems that were not patched with the latest security updates. This ‘patchwork’ approach, where security patches simply get built on top of existing layers over time, builds up risk in the infrastructure over time.

In today’s evolving world of cyber threats, organizations need meaningful visualizations of what is going on in their environment to better discover the ‘unknown unknowns’. This can only be achieved by bringing together cybersecurity professionals, data scientists and interface designers to mature their organization’s data visualization capabilities.”

**SL:** “In sports, a good line of defense requires teamwork and unity. The same principle applies to cyber defense. A good breach response plan is multi-faceted and should not be considered a solely technical activity that is the responsibility of the IT department. An enterprise-wide approach, especially involving the key functions: business, IT, regulatory compliance, general counsel, customer service and public relations is absolutely critical for organizations to contain the breach, for stakeholders to be informed and assured, and for decision-making to be expedited. To implement the plan, organizations need to develop cybersecurity incident playbooks detailing the roles and responsibilities for key stakeholders and set up regular role play sessions for practice.”
Some say it’s not cheap to achieve cybersecurity readiness. Particularly for SMEs that are resource-constraint, what can they do and is fiscal assistance available?

SL: “Whether you are a large or small organization, the digital ecosystem is borderless. While your organization might not be the direct target in a cyber attack, when clients, vendors or partners are hit, your organization’s information and systems might similarly be compromised.

The chief obstacles that Singapore companies – both large and small, face with regard to their information security function are the lack of skilled resources, budget constraints, and lack of quality tools for managing information. Combined with the constant flood of information, organizations are finding it challenging to stay on top of the dynamic cyber threat developments.

Enterprises will need to make good use of technology to increase their productivity and effectiveness in detecting malicious activities. The use of robotics process automation to streamline repetitive tasks allows consistency and speed in performing routine activities while releasing much needed resources to higher value activities. Increasingly, cyber analytics are being deployed in enterprises through the use of data science to help detect anomalous activities.

Technological investments can be costly and challenging to maintain given the specialized talent required. Tapping on shared security resources are proving to be a more sustainable and cost efficient approach. For SMEs looking to step up in their cyber intelligence, they are working with large organizations like EY that have the facilities to set up security operating centers that interpret threat intelligence, vulnerability management and monitoring. They can also securitize their data assets, particularly their key assets i.e., customer databases, by moving them to established cloud operators that make major investments into cybersecurity to protect their cloud infrastructure.”

GC: “It is important to take a step back to consider the fact that cybersecurity ‘must-dos’ today are actually not new. Organizations need to go back to the basics: keep systems up-to-date with software patches; make regular backups of data; and cultivate a culture of security being a shared responsibility among employees. On the latter, the majority of organizations today recognize that careless or unaware employees are the topmost cyber vulnerability today. Organizations can leverage the government’s Employee Cyber Security Kit, which is a plug-and-play digital toolkit developed by the Singapore government for companies to guide employee in their cybersecurity awareness efforts. This toolkit will help businesses achieve a structured employee education program with minimal time, investment and manpower.”
The Cybersecurity Bill sends a clear message to owners and operators of critical infrastructure in Singapore that cybersecurity is non-negotiable and has elevated the issue to a board-level concern.”
The business world can feel pretty uncomfortable right now. It is increasingly difficult to keep up with disruptions, and understand and harness the potential of new technologies that seem to appear at an alarmingly fast rate. What is clear is that organizations are operating in a time of unprecedented change, where disruptive innovation is fundamentally transforming the business and social landscape and the way people live and work.

Industries are converging, new entrants are challenging incumbents, business models are changing and customers are more powerful than ever before. As organizations look for new ways to grow and protect themselves, old models no longer apply. There are no single winning formulas, simple roadmaps nor definitive answers.

While there are no certain answers, there are certainly questions around securing future growth that economies continue to grapple with. As one of the world’s fastest-growing regions and a hotspot for manufacturing and trade, how can countries in Southeast Asia ride the wave of the new economy and drive continued economic growth? Can digital support broader ASEAN economic integration?
Is there even a chance that organizations can seize the upside of disruption and leapfrog competition in more developed markets?

Consider some of the major initiatives underway and the ambition of governments in ASEAN, there are reasons to be increasingly optimistic that this relatively untapped market has the potential to go through a true digital revolution that changes the lives of citizens and customers for the better.

Taking into account the demographic make-up of the region’s population, which is youthful and becoming more urban and highly “connected” to the extent of being seemingly addicted to smartphones and social media, there is a willing audience and customer base that can partner with governments and organizations in the region to fulfil the economic promise of the digital – if some infrastructural and regulatory roadblocks are successfully addressed.

In fact, this idea of co-creation, or bringing together the ecosystem of government, business and consumers may well hold the key to the region’s success.

Empowering customers and treating them as stakeholders (rather than buyers) who are invested in the success of an idea, generates a virtuous cycle where customers benefit from better products and services and companies are more likely to meet their needs. Empowering citizens helps governments to become more transparent and responsive, boosting efficiencies and helping to achieve policy goals.

However, the roadblocks to this vision of success are just as real.
For example in the 2016 EY report, Decoding the Malaysian Digital DNA, there was clearly a disconnect between the expectations of citizens and the infrastructure available to them. Of the 1,018 people surveyed, many viewed Malaysia’s digital economy as “less advanced” than leading nations; with 53% of the respondents being dissatisfied with internet speed and 51% opinioning that the cost of accessing data, whether through fixed or mobile internet or while roaming, is unreasonable.

When benchmarked against regional peers, Malaysia’s digital DNA appears to mirror that of her Australasian and Singaporean peers – with very high levels of connectivity of over 90% smartphone penetration and a real propensity to utilize digital technology.

While the country was ranked 31st on the World Economic Forum Network Readiness Index, its sub-ranking for network infrastructure, digital content, affordability and skills was much lower at the 73rd place, which would account for the relatively nascent and modest growth of e-commerce in the country.

On a positive note, the Malaysian government has recognized this gap and in the 2017 budget, announced initiatives to upgrade Malaysia’s broadband infrastructure, develop digital hubs and a Digital Free Trade Zone – the world’s first special trade zone to promote e-commerce, with the aim of doubling e-commerce growth from 10.8% to 20.8% by 2020. This acknowledgement of the need to invest and the prompt actions to address the challenges is exemplary.

Another notable example is the position taken by the Vietnamese government in relation to e-payments. Earlier this year, Deputy Prime Minister Vuong Đình Huệ endorsed a policy decision encouraging cash free transactions in Vietnam in order to reduce the number of cash-based deals. The aim was to reduce cash transactions to less than 10% of total market transactions by 2020, improving overall electronic payment methods and controlling tax evasion. While many would say that cashless payments are inevitable, a clear plan to progress this policy agenda is highly progressive.

Further afield, another example that Southeast Asia countries can look at is India, where the government is taking a proactive position around digital identity. “Digital India” has created a vision around transforming India into a digitally empowered society and knowledge economy.

A key tenet of this vision is the creation of a “cradle to grave digital identity that is unique, lifelong, online and, authenticable to every citizen”. Identity management is a real source of friction for customers across industries, particularly in regulated sectors requiring secure and reliable “onboarding” through the verification of a customer identity. By smoothing these interactions, Digital India is paving the way for far higher volume of online transactions.

According to the World Economic Forum, businesses and people stand on the brink of a technological revolution that will fundamentally alter the way organizations and individuals live, work, and relate to one another. ASEAN nations can take advantage of the upsides of disruptive forces, so long as governments and organizations recognize the need to change, fundamentally challenge business models, overhaul outdated regulation and support the build-out of modern infrastructure to mirror the ambitions and expectations of the young, savvy and connected people of Southeast Asia.
Robotic process automation: get it right

by Pascal Bornet

pascal.bornet@sg.ey.com | linkedin.com/in/pascalbornet | @RPA_Intelligent
n what might have been unthinkable just a few years ago, the European Parliament in January 2017 urged the drafting of a European Union-wide legislative framework that would govern the creation, use and potential taxation of robots and artificial intelligence (AI). Clearly, this signals the growing prominence of robots and their related applications in today’s business and economy.

Simply put, robots are software tools that have emerged to simplify business process delivery, and the technology behind this development is called robotic process automation (RPA).

These software robots offer improved business efficiency, data security and effectiveness by mimicking human actions and automating repetitive tasks across multiple business applications without altering existing infrastructure and systems.

The rise of RPA has drawn mixed response from different quarters. Some view it as a path to job reduction and redundancy while others embrace it as a liberation from repetitious activities. Implemented effectively and sensitively, RPA can help employees become much more productive, affording them the time to focus on more strategic or creative tasks that are reliant on human insights and judgment.

In that light, RPA promises much benefits and the potential for the RPA market is seemingly huge: the Transparency Market Research estimates that the IT robotic automation market will expand at a compound annual growth rate (CAGR) of 47.1% over the period between 2016 and 2024¹.

Yet, implementing RPA projects isn’t always challenge-free. Companies that get the following right will have a higher chance at success with their RPA projects.

Be business-led
A successful RPA is firstly grounded in a strong business case for change. The business case should clearly state the objectives and expectations of the RPA project, and include both the qualitative and quantitative benefits that are aligned with overall business and management strategy.

Once management buy-in is secured, the roll out of RPA should be positioned as a business-led program with strong partnership from IT, cyber, security, risk, HR and other enterprise functions. It is fundamental to set up a business-led Center of Excellence (CoE) – RPA is not simply an IT project.

This is because as companies think about the initial automation project, they need to remember that ultimately RPA will deliver a virtual workforce that allows the business to task robots across the entire organization. Just as how IT would not be in charge of managing the current human agent workforce, it would not manage a virtual one.

A business-led CoE allows the business to prioritize the processes to automate, and what the virtual workforce does. IT still has a crucial role in delivering infrastructure and software support, and providing robots with user access rights to legacy systems.

Yet, a business-led CoE does not simply spring into existence. It is also easy to underestimate what happens after automation, which makes it highly critical for companies to agree on the CoE processes and IT governance, and have staff trained to not only operate the robots but also continue to enhance the processes.

Not just a series of automations

Companies should see RPA beyond just a series of automation exercises but rather an end-to-end program. By performing an opportunity assessment, companies can then develop a portfolio of savings, service improvement and transformation processes – each of which needs to be measured and benefits delivered so that ongoing investment continues.

RPA is a journey, not a destination. The strategic dimension of the business transformation should prevail. It needs to be part of a broader journey to digital operations. Hence, it is important to create a digital CoE, of which its role is to promote, govern and infuse RPA and other digital initiatives into the company.

Getting levels of automation right

Businesses should also be mindful of the importance of a proper opportunity assessment to find the optimum portfolio of processes for automation. Low or medium complex processes or sub-processes are the best initial target for RPA.

Ultimately, companies should look for processes with the largest benefits and simplest delivery. Targeting RPA at a highly complex process can result in significant automation costs, when that effort could have been better spent automating multiple other simpler processes.

Often some companies try to totally eliminate human input in a process, which ends up in significant automation effort, additional cost and little additional benefit. But there is often also no effort to change existing processes to allow RPA to work across as much of a process as possible, and hence reduced savings.

The best way to view RPA initially is as the ultimate “helper”, carrying out the basic work in a process and enabling humans to do more. Automating 70% of a process that is of the lowest value, and leaving the high value 30% to humans is a relevant initial target. It is always possible to go back and optimize the process later.

Companies should only tackle complex or critical processes once they are RPA-mature, and look to automate the highest value or easiest parts first and increase the percentage of automation over time.

Achieving a great ROI

While current RPA tools can automate large parts of a process, they often cannot do it all – frequently because the process starts with a call or on paper, or requires a number of customer interactions. Hence companies often end up automating many sub-processes, but miss the opportunities to augment RPA with digital, and automate the whole process.

The cost arbitrage of RPA is significant. In countries with high labor cost such as Singapore or Hong Kong, a robot can be 10% to 20% of the cost of a human agent. But more often than not, a robot only works on sub-processes and therefore limits the savings achievable. But, for example, if RPA is extended into digital self-service, the benefits can be up to two to three times that of RPA alone.

In order to gain buy-in by senior stakeholders, companies should develop a RPA portfolio that balances cost reduction with other value drivers such as service improvement, transformative services, improved regulatory response and growth.

While delivering cost-savings is compelling, service improvements or showing entirely new and innovative digital services or products will make the senior stakeholders even more interested in making RPA happen. And to deliver RPA projects with success, proper planning will make all the difference.
Will AI change the world for good, or just change it?

The amazing opportunities created by artificial intelligence require responsive and responsible leadership. Join the conversation.

ey.com/betterworkingworld #BetterQuestions

The better the question. The better the answer. The better the world works.
Thinking purpose before profit

by Max Loh
max.loh@sg.ey.com
linkedin.com/in/maxlohw
As businesses around the globe respond to calls to demonstrate their contribution to inclusive long-term value creation for all of society, the Coalition for Inclusive Capitalism and EY announced the collaboration in June 2017 to bring together CEOs from over 20 global companies to work on a proof of concept to encourage and measure long-term value creation.

The project, called “The Embankment Project for Inclusive Capitalism” will develop and test a new framework to better reflect the full value that companies create through human, physical, financial and intellectual capital deployment.

Given that trust in business, financial institutions and society as a whole is being challenged, bringing together diverse stakeholders to create such a framework is important in supplementing available financial information.

As Paul Polman, CEO of Unilever and a member of the project, said: “Long-term investment and sustainable growth models go hand in hand. Businesses must operate with purpose embedded in their strategy, serving their shareholders and wider society. The ability to articulate this in a standardized, meaningful way has long been needed so markets can properly measure this broader approach to value creation.”

Another member of the project, Indra Nooyi, Chairman and CEO of PepsiCo echoed that business must do more than simply turn in a profit; they must also be guided by a deep sense of purpose. “This means measuring our success not only quarter to quarter, but also year to year and decade to decade. It means creating value for shareholders as well as society.”

Indeed, purpose – not profit – has emerged as business leaders’ key to success amid the turbulent global economy.

According to the 2017 EY report, How can purpose reveal a path through disruption? Mapping the journey from rhetoric to reality, the majority (73%) of business leader respondents believed in the value of a strong corporate purpose, and only a minority (15%) said their company’s main purpose is to maximize shareholder value.

Yet, defining a company’s purpose is not always easy. In the absence of a universal definition of purpose in a business context, purpose can be described as an aspirational reason for being that is grounded in humanity and inspires a call to action.

However it is worded, the underlying concept is that by acting on this purpose, companies can create more value for their shareholders and society over the long term than by pursuing purely financial goals or a narrowly defined self-interest.

Disruption demands purpose

The disruptive environment today is driving a greater focus on purpose.

Two-thirds of the executives surveyed for the above report are profoundly rethinking their organizations’ purpose as a result of the disrupted environment. Sixty-eight percent of companies that broadly defined purpose and integrated it into their organizations said purpose gives them the agility to innovate in times of disruption.

That is because purpose instills strategic clarity. In the face of continuous transformation, intense competition and rising expectations, purpose is akin to a strategic “North Star”, a guiding light for short-term decisions and long-term strategy at every level of an organization. It helps leaders think holistically.

Purpose also channels innovation. By focusing innovation on a compelling “bigger picture”, purpose encourages everyone, from R&D to customer-facing staff, to think beyond incremental product or service improvement.
Defining a company’s purpose is not always easy. However it is worded, the underlying concept is that by acting on the purpose, companies can create more value for their shareholders and society over the long term than by pursuing purely financial goals or a narrowly defined self-interest.”

By offering a long-term perspective, purpose empowers people to look for solutions and innovations that will deliver durable value and returns. At the same time, it sets clear boundaries on the space the company wants to operate in, keeping innovative energy focused on what really matters.

Companies that have deeply embedded an aspirational and human-centric definition of purpose cite specific upsides: it helps to build customer loyalty; preserve brand value and reputation; attract and retain staff; and enhance the ability to develop new and innovative products.

Yet, challenges remain for companies to turn their purpose rhetoric into business reality. To that end, actionable pathways must be in place.

From rhetoric to reality

EY research has distilled four steps that can help companies reach their purpose goals. Firstly, the company needs to clearly articulate a purpose that responds to the needs of their stakeholders and is grounded in what an organization does. It needs to decide what specifically its purpose is and communicate it effectively to its stakeholders.

Secondly, the purpose must be embedded into the company’s strategy and operations, and management and teams should align their decision-making with that purpose. A fully embedded purpose doesn’t simply materialize on its own – it is the result of detailed strategic planning and a commitment to delivery.

Thirdly, companies should constantly evaluate where they are on their journey and what needs to change. This means measuring performance using key performance indicators (KPIs) and metrics related to their purpose, and embedding these in their business incentives and rewards system.

Lastly, once they have started on their journey, the best companies understand that they need to accelerate the process by placing purpose at the center of their culture and ensuring it is owned by their people – not just the CEO. While leadership is needed from the very top, it is crucial that the purpose is part of the employees’ day-to-day lived experiences.

The volatile and unpredictable world that businesses operate in today both amplifies the potential upside for those that embed purpose in all of their activities, and the risk for those that do not. The point is to start on the purpose journey sooner than later.

EY understands this intimately, having begun its journey in 2013 by articulating the organization’s purpose of Building a better working world. EY believes that everything it does contributes to a better working world where trust increases, capital flows smoothly, investors make informed decisions, businesses grow sustainably, employment rises, consumers spend and governments invest in their citizens.

EY found that being explicit about the purpose and building it into the organization’s strategy has helped its people to engage with clients and guide the work on resolving their complex issues; attract, retain and motivate the organization’s people; and drive growth across the EY business and brand.

It has kept the organization focused yet agile – exactly what disruptive times demand of EY.  ■

“Defining a company’s purpose is not always easy. However it is worded, the underlying concept is that by acting on the purpose, companies can create more value for their shareholders and society over the long term than by pursuing purely financial goals or a narrowly defined self-interest.”
When corporates meet start-ups and mash-ups

by Joongshik Wang and Adrian Koh

joongshik.wang@sg.ey.com | linkedin.com/in/joongshik-wang
adrian.koh@sg.ey.com | linkedin.com/in/adrian-koh
Start-ups have been a growing presence in many economies in recent years, given how it has upended some of the well-known industry incumbents and introduced new ways of serving the market.

There is increasing curiosity to meet with – and learn from – start-ups, particularly for large corporations that recognize that start-ups have the necessary ingredients of agility, ingenuity and vision to generate disruptive and not just regular innovation.

This interest to connect is mutual. Start-ups, on the other hand, want to address the gaps they face in industry expertise, scale and financial strength, which more often than not are the domain of large enterprises.

The “party” is already well underway. According to an INSEAD and 500 Startups’ report1, 68% of the top 100 companies from the Forbes Global 500, which includes Singapore banks and telecommunication companies, are already engaging with start-ups. In fact, the top 100 companies are working with start-ups two times more intensely than the last 100 companies of the Forbes Global 500.

In Singapore, pockets of tie-ups, alliances and collaborations in the market are indicative of growing interest in such partnerships. The Startupbootcamp Fintech Singapore program, which provides a platform for start-ups to collaborate with other financial institutions by tapping on assets such as customer and industry data over a three month period, has seen the birth of 11 pilot projects in its 2016 edition.

Not only is the corporate-startup collaboration phenomena on the rise, the rules of engagement are changing.

Typically, an incumbent leader would explore M&As or joint ventures with new technologies and capabilities to jump-start innovation. In the last two years, there has been much growth in big-ticket technology M&As globally. But M&A doesn’t always offer the right answer.

There are instances where one company may possess a specialized strategic capability needed by another, but overall, the combination lacks the necessary synergies for a viable M&A deal.

In addition, not all management teams are adept at large-scale acquisition integrations, and the cost of unsuccessful M&A deals is high. Some deals may simply be too large to contemplate from an operational or financial perspective. Other times, an M&A is less than successful when investors fail to preserve the value of the acquired start-up team and seek to replace the very value that they had purchased.

So while such traditional deal-making models still have their place, companies are also experimenting with more informal engagement models. This can range from hackathons and start-up competitions to accelerators and incubators where corporates provide more intensive and targeted support such as mentoring, funding and office spaces to a smaller group of start-ups. For example, corporates are increasingly setting up corporate venture capital to engage startup innovations through early stage equity investment.

Even as these informal models help to kick-start ideas, another engagement model is emerging and worth noting – one of “industrial mash-ups”.

Industrial mash-ups defined

The industrial mash-ups concept borrows from the open source movement and internet “mash-ups” that are able to rapidly create new business value by incorporating specialized services via Application Programming Interfaces. Applied to incumbent technology and tech-enabled companies, it will soon start a next wave of accelerated innovation – along with many unlikely partnerships. The sharing economy is one of the best examples.

Fundamentally, the sharing economy exists because of the idea that one can separate, or detach, new kinds of value from an underlying physical

1 “How do the World’s Biggest Companies Deal with the Startup Revolution” 500 Startups and INSEAD, February 2016
thing. For example, people are able to use their car as a transportation service, or use their apartment as a hospitality service, because another organization has built an easy-to-use, automated transactional environment on the internet with new kinds of usage terms that depart from standard lease contracts.

Through similar kinds of abstraction, industrial mash-ups enable the industrial economy’s capital assets and processes to be monetized in new ways not necessarily envisioned by their owners – just as technology providers are often surprised by the unintended uses their products serve once they are released.

In industrial mash-ups, companies share services, data or property (i.e., capital assets) via increasingly automated methods; separate the original value of a service or asset from potential new business value; or integrate other organizations’ specialized services into existing solution (mash-ups).

Unlikely partners can make for successful industrial mash-ups too.

Consider the long list of alliances between companies that were once considered unlikely partners, such as the Apple Inc. – International Business Machines Corporation alliance to bring IBM’s big data analytics capabilities to iPhone and iPad platforms for enterprise customers.

Similar alliances have been announced between traditional competitors such as Cisco Systems, Inc. and Ericsson, Inc., as well as non-competitors like IBM and Johnson & Johnson (in a deal that also includes Apple). In that mash-up, Johnson & Johnson plans to bring to market a mobile app that would leverage Johnson & Johnson’s clinical know-how and Apple’s user experience design and link to IBM’s Watson for back end cognitive computing and big data analytics intelligence.

These deals show that industrial mash-ups are very flexible – partners can bring specific portions of their broader value propositions to the deal, and then narrowly define deal parameters in a way that insulates other areas of business.

Good partnering principles apply

“Mash-ups” does not mean chaos; the fundamentals of good partnering apply too. Partnering organizations must establish clear, shared project goals and objectives early and reinforce them often, and close monitoring of the collaboration internally is key to ensure that the business relationship is evolving as expected.

On the same note, top-to-bottom commitment and executive sponsorship is key to driving progress, which is especially challenging for corporates given their complex processes, policies and myriad of projects. Without buy-in from the entire company, such projects often stall.

When working in an industrial mash-up, corporates need to be prepared to embrace the above approach not just with one but with multiple partners, start-ups, vendors and suppliers. A mash-up often starts with a leader, or several leaders involved in structuring the terms of the partnership to some extent and continue to shape it. They create a “scaffolding” – an open-ended deal based on an idea of how they can work together – and offer that scaffolding to more participants, creating a crowdsourced environment for innovation.

Embracing an open-minded mentality goes beyond welcoming new members to the network. Organizations need to be flexible and creative in thinking outside of their industries and technical capabilities, as well as be nimble in assessing the business value of ongoing projects. It is better to fail fast and try something else rather than stick with a struggling project.

Today’s biggest innovations tend to depend not only on sector-specific domain knowledge and customer relationships, but also on expertise in analytics, cloud services, wireless connectivity, software, and security. Few organizations possess all of these capabilities under one roof. Partnering – now executed through various models – will pave the way for future innovation. 

Strong trade and investment interest powers ASEAN’s growth

by Yeo Eng Ping
eng-ping.yeo@my.ey.com
The ASEAN Economic Community (AEC) was launched in December 2015 and aims to achieve a single market and production base; a highly competitive economic region; equitable economic development; and a region fully integrated into the global economy. In November 2015, the AEC launched a blueprint for 2025, which set out plans for further integration.

2017 marks the 50th anniversary of ASEAN. More than ever, it is an exciting time for ASEAN. Aside from her robust economic dynamics, ASEAN has a relatively young and diverse multilingual talent pool, burgeoning middle-class segment and a strong investment pipeline of infrastructure development projects, which present wide opportunities for investors to participate in her economic development.

Global and regional investors remain vested in ASEAN and see it as a sustainable growth nucleus in Asia, despite wider challenging economic externalities. Among emerging markets, ASEAN has in the recent decade become a focal point of global investor interest, with total trade having increased steadily by a compound annual growth rate (CAGR) of 6.4% to US$2.3t in 2015.

Further, ASEAN’s trade linkages are well-entrenched with over 230 markets globally. With the AEC policy thrusts encouraging regional economic integration, there is even higher upside for intra-ASEAN trade growth.

In the longer term, the Regional Comprehensive Economic Partnership involving ASEAN, Australia, China, India, New Zealand, Japan and South Korea will help to drive further regional trade growth.

Dynamic FDI and deal outlook
Testament to the strength of foreign investor confidence in ASEAN, foreign direct investment (FDI) inflow into the region achieved double-digit CAGR of 11.5% in the past decade up to 2015. While extra-regional investments accounted for over 80% of total FDI, it is noteworthy that the growth rate of intra-regional investment was almost double that of extra-regional FDI.

Nearly two-thirds of the foreign investments were in the services sector, predominantly the financial and insurance segments. The key extra-regional FDI contributors were from the US, Europe and Japan, and these investors and regional titans are expected to remain keen on the region.

Over two-thirds (68%) of the M&A deals in ASEAN from 2010 to 2016 were either intra-ASEAN or inter-Asia-Pacific, reflecting the strong appetite in the region. The most active sectors were consumer, energy and financial services.

In tandem with the surge in FDI and trade activities, the size of ASEAN’s financial system has more than doubled in the last decade. While ASEAN’s total banking assets doubled to nearly US$2t, its equity market based on the market capitalization of the seven bourses tripled to US$2.2t.
Growing infrastructure investments

As ASEAN undergoes economic and population growth, the region’s appetite for infrastructure development continues to expand. Significant infrastructure investments are estimated at US$110b per annum until 2025. The key areas of infrastructure investment include multimodal transport connectivity to improve logistics efficiency, utilities infrastructure and infocomm and technology projects.

In infrastructure interconnectivity, ASEAN’s transformation to be well-connected via enhanced logistic efficiencies will further improve the region’s linkages to the global supply chain and support the growth in trade and tourism activities. Multimodal initiatives covering air (ASEAN Open Skies agreement), rail (Singapore-Kunming Rail Link), sea (ASEAN Roll-On/Roll-Off Shipping Network and Short Sea Shipping) and land (ASEAN Highway Network) will expand intra-ASEAN connectivity.

Infocomm and technology infrastructure development, as part of building a trusted, secure and resilient digital ecosystem, is vital to improving ASEAN’s economic competitiveness and enabling businesses to transform in the rapidly expanding digital economy. Today’s disruptive operating environment will require both governments and businesses in ASEAN to leverage the right data, tools and systems for predictive insights to identify long-term growth opportunities.

A key cross-border infocomm and technology initiative is the SEA-ME-WE 5 submarine fiber option cable link project that connects ASEAN, the Middle East and Western Europe. The project provides transmission speeds of up to 100Gbps. In addition, the ASEAN Broadband Corridor is aimed at providing affordable and universal broadband access in the region.

ASEAN’s member countries are expected to post healthy GDP growth rates of 3-8% from 2017 to 2021 collectively.
By 2040, ASEAN’s energy demand will increase by 80%. As such, two flagship projects to safeguard ASEAN’s energy security and sustainability are underway. The projects involve bilateral and regional partnerships to connect and integrate energy grids and gas pipelines across ASEAN. In addition, these projects promote the efficient utilization, optimization and sharing of ASEAN’s energy resources.

New tourism opportunities
Enhanced air connectivity is bringing tourism opportunities to the region. According to the World Travel and Tourism Council, ASEAN’s international tourism receipts reached US$116b in 2015. It is projected that international tourist arrivals will reach 192m and contribute US$223b to the region within the next decade. The liberalization of ASEAN’s aviation sector has eased restrictions on air travel and facilitated the expansion of low-cost airlines in the region, helping to drive tourism growth.

It is forecast that ASEAN aircraft fleets may triple in size by 2030, in view of the 3,750 new aircraft orders. This significant growth in fleet size should catalyze growth of the aviation maintenance, repair and overhaul (MRO) services industry. There are already investment plans to establish and upgrade MRO operations in Singapore, Malaysia, Philippines, Indonesia, Thailand and Vietnam as regional MRO hubs.

The hotel and hospitality services sector is also poised to benefit from the increased frequency in travel and tourism. Real estate projects to build new hotels, retail outlets, gaming and recreation centers, as well as upgrades in roads and tourist sites are developing across ASEAN’s major destinations.

An investor’s gem
At a time of volatility in various parts of the world, ASEAN may well be the prized ecosystem of certainty, consistent and resilient economic growth. The region is well-positioned to be a growth nucleus in Asia, even as China and India continue to power ahead. In the longer term, it is expected that ASEAN’s growth will be shaped by economic policies, regional trade policies, competitive tax incentives, and access to infrastructure financing. 🌍
ASEAN's growth story in numbers

**Investment performance**

- Asia-Pacific, including ASEAN, drives two-thirds of deal activities

- ASEAN deal flows (2010-2016)

**Global businesses have high trade and investment interest in ASEAN**

- The percentage of companies expecting to increase trade and investment in ASEAN will increase over the next five years:
  - 87% US
  - 85% EU
  - 55% Japan
  - 86% Australia

**Economic dynamics**

- ASEAN's emerging markets on fast growth track

**Projected ASEAN economic and population growth**

- GDP growth (%)
- Forecast population growth (%)

**Infrastructure progress**

- ASEAN infrastructure investment annual estimates:
  - US$110b per annum until 2025

**ASEAN's multimodal connectivity**

- **Air:** No restrictions
  - No restrictions on frequency and maximum capacity of flights from ASEAN Open Skies agreement: ASEAN Single Aviation market

- **Rail:** 6,890km
  - Rail system from Singapore - Kunming Rail Link (SKRL)

- **Sea:** Three priority routes
  - Operationalize routes from ASEAN Roll-On/Roll-Off (RO-RO, Shipping Network and Short Sea Shipping)

- **Land:** 38,400km
  - Connected roads from the ASEAN Highway Network (AHN)
Rarely has tax gripped the attention of businesses, regulators and practitioners worldwide as much as the Base Erosion and Profit Shifting (BEPS) project did in recent times.

The BEPS project was initiated in 2013 by the G20 and the Organisation for Economic Co-operation and Development (OECD). It sought to address political and public concerns about the taxation of multinational companies and perceived inadequacies in the global tax system that has crippled countries’ ability to capture their fair share of taxes.

Broadly, the BEPS policy outcomes are focused on building coherence between different countries’ tax laws – aligning taxable profits with the business functions that contribute to value creation – and providing tax authorities with greater insight into the global operations of taxpayers.

However, it is often not so straightforward when it comes to implementation as respective countries tend to choose a tax system that best fits them; and bear different tax policy and operational objectives in mind when deciding which BEPS recommendations to adopt, and how to go about doing it.

That means greater complexities for tax planning and compliance by companies who operate across different markets. It also means a greater propensity for tax risks and controversies – all of which are potential triggers for reputation fallouts and therefore point to a need for increased tax function resourcing capacities and competencies including digital, as well as a more centralized tax function.
It takes an informed CEO and management team to support any call for investment in the tax function. Yet tax is hardly the natural favorite subject of most CEOs, even though it has always been important for them to understand how global tax trends and developments can impact their businesses, including in the following ways.

**BEPS can change your business structure and operations**

BEPS will have far-reaching implications for the company as a whole—and not just the tax function. A holistic approach to BEPS is essential and will require close cooperation among all the business functions in the markets it operates or plans to enter.

For example, among many recommendations, the BEPS principles seek to eliminate the benefits of hybrid financing arrangements, lower the permanent establishment standards for taxable presence in a country and places new restrictions on access to benefits of tax treaties. The corporate structures used today for operating cross-border will thus need to be reviewed, as with the business structure, and financing and capital structures.

**Digital tax administration is upon you**

With many governments requiring near real-time reporting and performing increasingly sophisticated data analytics, tax authorities are gaining global visibility of taxpayers’ businesses. Businesses need to enhance their digital capabilities so that they can meet the demands of this new world of digital tax administration.

To cope with BEPS-driven enhanced reporting and disclosure requirements and greater audit scrutiny, CEOs must ensure the tax function has adequate knowledge, staffing, budget and other necessary resources to meet the new demands on the tax function. This means the need for new investments that the CEO will need to balance with other enterprise priorities.

Companies must also be prepared to deal with any interrogations and controversy that follow. More importantly, they need to start changing their mindsets and recognize the benefits that technology will bring. Notwithstanding the costs, putting in place a new digital operating model is an essential step. This means that companies need to ensure that they understand tax authority data requirements, can format source data for local country tax requirements and have the appropriate tools to prepare digital tax submissions. They should also perform analytics on data before filing and put in place a process for archiving digital files for tax audit purposes. All these will go towards managing the incidence of tax disputes.

**Reputation and trust are at stake**

CEOs must fully understand that their company’s tax profile is both a financial and reputational issue. As illustrated above, companies should now assume that tax data reported in one country will be available to tax administrators in others, and that administrators are more agile and stringent than ever in conducting audits and enforcements on non-compliance.

Companies should develop, with the CEO and board’s advice and consent, a clear policy explaining the company’s approach to tax planning. In developing this policy, keep in mind that the board and management must be comfortable with disclosures and making the policy available publicly and, if necessary, be prepared to defend it.

**See the risks—and opportunities**

As a CEO, there are certain pressing questions that warrant serious thought now: Where could sources of potential controversies originate from? What information could be shared with which tax authority at what point in time? Are data sets being considered holistically or from a country-only perspective? How ready is the organization in gearing up for a shift in information asymmetry, whereby tax administrations know more about the company than it does itself?

Just as responding to tax risks now is crucial, CEOs should seize the opportunity that regulatory changes present, particularly in redefining an integrated operating model for the benefit of the business as a whole.

As companies move towards the implementation of the BEPS recommendations in a structured manner, a major business transformation is ahead. CEOs should appreciate that this change, if managed well with close alignment between management teams and the tax function, could well be the key to enabling business growth and success in a new era of tax reform.
Sustainability reporting: from good to great

by Max Loh
max.loh@sg.ey.com
linkedin.com/in/maxlohw
Where once companies used the financial bottom line to benchmark success, nonfinancial disclosures, of which sustainability reporting is a key element of, is a leading practice sought by companies worldwide today.

Against the backdrop of environmental and social scandals and a greater call for organizations to create long-term value, there has been increasing scrutiny of regulators, investors and the public of an organization’s environmental, social and governance (ESG) risks.

According to the third EY Climate Change and Sustainability Services survey of more than 320 global institutional investors worldwide, a majority 82% of respondents said that ESG risks have been ignored for too long by the business world. And investors want to shift businesses from rhetoric towards action: 68% said a company’s nonfinancial performance plays a pivotal role in influencing their investment decisions.

In Singapore, there too has been an increase in the awareness of the importance of nonfinancial disclosures and the impact on investors’ impression of a company’s performance and prospects. Particularly, in view of the Singapore Exchange’s (SGX) “comply or explain” requirements for sustainability reports by listed companies, companies can be expected to pay more attention to nonfinancial disclosures.

While having more companies undertake sustainability reporting – whether driven by intrinsic motivation or legislative requirements – is a positive trend, core to delivering the purpose of doing so is the quality and depth of the reports.

The “comply or explain” requirements by the SGX is expected to move the quantity and quality of sustainability reports locally to some extent. It provides a basis for good disclosure, offering recommendations on globally acceptable approaches and frameworks to market-leading sustainability reporting.

One such reporting framework is the internationally recognized Global Reporting Initiative (GRI). Using the GRI standards as a yardstick, a 2016 study by the ASEAN CSR Network (ACN) and National University of Singapore (NUS) showed that while 186 SGX-listed companies had communicated their sustainability practices in some form or another, only 24 organizations from Singapore produced GRI framework-based sustainability reports.

A desktop research by EY in 2015 on the top 50 SGX-listed companies by market capitalization also noted that the depth of sustainability reporting varied enormously, with some companies providing robust and detailed disclosures on their sustainability performance while others offered limited information.

Of the 60% that actually reported on their sustainability performance, 47% produced unbalanced reports – invariably providing a one-sided view of their sustainability performance that focused solely on positive progress and corporate social responsibility programs, while failing to mention the challenges, negative performances and missed goals.

Just 10% produced reports that could be considered truly balanced – providing a wide range of performance data, disclosure on whether specific targets were met and any negative impact of the company’s operations and how such impact was managed.

**Makings of a quality report**

First and foremost, a good sustainability report draws from appropriate international and national guidance. This includes the selection of a suitable sustainability reporting framework, such as the SGX’s guidelines and the globally accepted GRI standards mentioned above.

A good sustainability report is stakeholder-centric. Throughout the report, the organization is able to articulate its approach towards stakeholder inclusiveness and engagement, illuminating their understanding of their stakeholders’ needs and concerns while at the same time not ignoring the sustainability context. This helps to build trust and a deeper relationship with the reader.

---

1 “Sustainability reporting in Singapore 2016”, ASEAN CSR Network and the NUS Business School, October 2016
A quality report also focuses on the concept of materiality, prioritizing aspects of sustainability based on their impact on both internal and external stakeholders. The focus on materiality signals a clear change from sustainability reporting of the past where companies often released a mass of information with little regard to the relative importance of these disclosures to their business’ performance and to their stakeholders.

Further, good sustainability reports offer comparability – both internally and externally. Consistency in presentation and disclosure allows stakeholders to compare the organization’s current performance against past performance and targets. To that end, organizations should adopt consistent calculation methodologies and assumptions used in the analysis of data and information.

External comparability against the performance of other organizations can elevate the quality of a report. Benchmarking against industry peers and leaders helps to provide context for readers to better analyze and understand the organization’s relative impacts and trends in performance over time.

Completeness, accuracy and balance of the report is also key. For larger organizations, deciding the topic boundaries may be challenging as they are increasingly expected to not only report on their direct impact but also their indirect impact through the value chain.

The best sustainability reports are those that disclose true performance – the good, the bad, and the ugly. Many organizations may find it daunting to include negative information but those who eventually come to terms with it can find themselves liberated, distinguishing themselves and seizing the chance to explain to stakeholders how they plan to improve.

Lastly, many organizations now look to establish stakeholders’ confidence in the reliability and quality of the sustainability report through external independent assurance. While external assurance is not a mandatory requirement, this process adds to the credibility and integrity of the report, benefitting the board of directors, management and external stakeholders.

**Barriers to quality**

Moving from a good to great report is not without its challenges.

Historically, the business world has placed a greater emphasis on financial reporting. More organizations are now connecting the dots and identifying ESG risks and opportunities that affect their ability to create and sustain long-term value for their stakeholders. As awareness of the importance of nonfinancial reporting grows, the momentum must intensify.

One of the key practical challenges is perhaps the lack of sophisticated tools and techniques to gather and analyze nonfinancial data by organizations. Another challenge is in bridging and communicating these nonfinancial results within the ambit of traditional reporting by putting a monetary value to these elements, which will allow a smarter and more efficient usage and allocation of resources and capital, whether financial or nonfinancial.

As well, expanding operational reporting boundaries to reflect the entirety of the organization will be challenging as it depends on a variety of factors. These include a mindset change to embrace sustainability and how management communicates this change; developing a sustainability strategy; establishing a governance structure; and having a clear direction and tone from the top.

Ultimately, it is the value that the organization attaches to sustainability reporting as a proactive and dynamic stakeholder communication and performance tracking tool that will motivate quality sustainability reporting.

It’s time to look beyond just sustainability reporting obligations.
Combating fraud: clarity and consistency needed

Returns on investments and future workforce at risk

A lack of clarity and consistency in anti-bribery and anti-corruption (ABAC) policies creates mistrust in the organization and a higher likelihood to accept unethical behaviors, especially among the millennial workers.

The EY Asia-Pacific Fraud Survey 2017, which canvassed the views of 1,698 employees from large businesses in 14 Asia-Pacific territories, including 105 from Singapore, found that millennials were unwilling to work for, or would leave an organization that is involved in bribery or corruption.

Yet, they were more likely than other age groups to be prepared to offer cash payments to win or retain business, or extend monthly reporting periods. However, they did not feel justified when provided with more clear-cut choices, such as ignoring compliance controls.

This pointed to a lack of understanding of what constitutes unethical behavior among the millennials, pointed out Belinda Tan, Partner, Fraud Investigation & Dispute Services, Ernst & Young Advisory Pte. Ltd.
“This discrepancy needs to be addressed early and quickly, to help ensure business hire and retain the best young talent, who will form their future workforce,” Tan said.

“It is a wake-up call for businesses to revisit their compliance programs, invest more in education and lead by example. On the one hand, millennials feel it is okay to behave ethically in some situations. Yet on the other hand, they take a strong stand against working for an unethical business,” she added.

Ethical standards not improving

Despite respondents reporting that the majority of organizations have expanded or sustained their efforts to combat fraud, bribery and corruption, this investment in compliance policies and processes is not always translating into ethical conduct. More than a third of the Asia-Pacific respondents reported that bribery is commonplace in their industry.

The lack of clarity in policies could be a factor. The majority of respondents wanted their organization’s corporate policies to be simplified and localized to make them more understandable. Specifically, they felt that existing policies were too long and used unnecessarily complex language or jargon.

Reuben Khoo, EY Asean Leader, Fraud Investigation & Dispute Services, Ernst & Young Advisory Pte. Ltd., explained that employees today are demanding absolute clarity, and anything short of that impacts morale, hiring, retention and overall business performance.

“Corporates need to simplify their compliance protocols to help employees follow them,” Khoo said, adding that employee frustration with discrepancies and inconsistencies in how compliance programs are executed can create major stumbling blocks.

The issue of trust also arose when employees were found to prefer using external law enforcement hotlines and social media channels over whistleblowing hotlines to report misconduct. This is so despite the majority conceding that their organizations have a whistleblowing hotline.

Tan attributed this to a lack of faith that reports will be handled confidentially or that these reporting mechanisms will result in proper follow-up and punishment for the guilty parties.

Risk of using personal devices for work

Just under half of respondents in Asia-Pacific said there was no particular company policy controlling how employees use personal devices for work-related activities in their organizations. This created new vulnerabilities as about half of the respondents agreed that they conduct business using their personal mobile devices even though they might have been issued with a work mobile device.

Two-thirds of the Asia-Pacific respondents recognized that there are risks associated with using personal devices for work, with Singapore respondents being more cognizant of such risks.

Khoo highlighted that insider threats are just as, if not more, risky.

“The current safeguards are inadequate in repelling criminals, including rogue employees who are intent on stealing personal data, intellectual property or even a company’s cash,” adding that designing and enforcing policies regarding the use of personal devices for work-related activities is key.
Singapore’s reputation as a “clean” country did not come by chance. It is the result of decades of strong political will to sustain a robust and comprehensive anti-corruption framework, and build a society that frowns on corruption.

Recently, the city-state received a boost of confidence with the Corrupt Practices Investigation Bureau (CPIB) revealing that corruption cases locally fell to a 32-year record low in 2016. Notwithstanding this, incidences of bribery and corruption continue to arrest public and media attention locally and globally, and unethical conduct remains one of the most pertinent risks to organizations.

Raising the bar in anti-bribery

by Belinda Tan and Saket Bhartia

belinda.tan@ey.com | linkedin.com/in/belindatansw
saket.bhartia@sg.ey.com | linkedin.com/in/saket-bhartia
Business executives attest to this themselves. In the EY Asia-Pacific Fraud Survey 2017, over 60% of the respondents consider bribery and corruption to happen widely in their countries. Given that many Singapore companies have business relationships with other parties overseas, particularly as the call for international growth and expansion grows, the exposure to bribery and corruption potentially widens and intensifies.

It is therefore timely that the CPIB and SPRING Singapore collaboratively launched the new Singapore Standard, SS ISO 37001:2016 Anti-Bribery Management Systems, a certification program that aims to help Singapore companies strengthen their anti-bribery compliance systems and processes.

The standard, although voluntary in nature, sends a clear signal of the country’s unwavering stance on maintaining a transparent and honest environment with zero tolerance for corruption. It is also a significant step in enabling Singapore companies to combat bribery by providing specifications on the leading practices to establish, implement and maintain, as part of continually strengthening the internal controls in the company.

Adopting the standard have clear benefits for Singapore companies. With the operating environment becoming more complicated and corruption risks more transnational in nature, it helps them to better safeguard against bribery not just locally but overseas. It also provides assurance to market regulators that the company is aligned with the latest guidelines and standards, and garners the confidence of customers and stakeholders. All of these combine to lend a competitive advantage, for example in a tender bid exercise where the need for extensive due diligence can potentially be reduced.

Not a magic pill
Yet, the implementation or adoption of the standard in itself does not eradicate all unethical ills. The effectiveness of this standard depends predominantly on the commitment of the company management to establish the right tone at the top, an ethical culture and clear anti-bribery policies that are enforced through a governing body and compliance function, and supported by adequate training and investments in proactive monitoring tools.

For one, management needs to continue to drive a stronger nexus between policies and improved behaviors. The above 2017 survey revealed that while Singapore executives saw increasing efforts to combat unethical behaviors, many said their organization’s code of conduct in its current format has little impact on how employees actually behave. The lack of clarity and inconsistent implementation of policies were cited as key gaps to address.

Companies should also keep in mind that being certified does not mean regulators and enforcement authorities will accept that anti-bribery standards have been met. Neither does it provide an auto-defense to punishment should a bribery or corruption incident occurs, even though authorities will usually consider the anti-fraud controls in place when determining the penalty or prosecution.

Taking the next step
The SS ISO 37001 is based on similar ISO standards such as SS ISO 9001 for quality management and ISO 14001 for environmental management. Accordingly, companies that have some exposure or are already certified with other ISO standards, may draw some familiarity from the structure and elements to swiftly incorporate SS ISO 37001. The standard can therefore be established independently, or integrated into a pre-existing overall management system.

Companies that are keen to embark on the certification should firstly conduct an assessment of the existing internal controls and processes that address bribery-related risks. The assessment should provide an accurate representation of the maturity level of the current programs and using that, companies can then determine how comprehensive the certification process will be with respect to the costs, resources and duration required. Periodic renewal through audits will also be necessary, and companies must consider the additional investments beyond the initial certification.

Clearly, the Singapore government is taking additional steps in the right direction to raise the bar on anti-bribery in the business ecosystem as a whole. The effectiveness of the standard remains firmly in the hands of companies.

Importantly, adopting the standard should not be seen as a point-in-time certification or management exercise. Seen and done in the right spirit, anti-bribery is a continual journey, and a collective effort by everyone through the ranks and across functions. Getting the human element right is key. As with all unethical behaviors, it starts and ends with human.
Bullish ambitions in middle market
Talent and technology are twin drivers of growth

Over one-third (34%) of middle market companies plan to grow 6%-10% in 2017, far outpacing the latest World Bank global GDP growth forecasts of 2.7% by more than 3%-7%.

This was according to the inaugural EY Growth Barometer survey released in 2017, which captured the views of 2,340 executives of global middle market executives from companies with annual revenues of US$1m-US$3b across 30 countries.

High-growth entrepreneurs are even more optimistic than their counterparts as they eye significantly higher growth rates than overall middle market leaders. Nearly one in four (22%) high-growth entrepreneurs are planning current year growth of more than 26%, based on the views of 220 alumni of the EY Entrepreneur Of The Year™ program.

Annette Kimmitt, EY Global Growth Markets Leader, said that high-growth entrepreneurs are not only more ambitious, but prioritize differently from other middle market leaders. “They are not fazed by the kinds of seismic shocks that Brexit and other geopolitical upheavals present. They are developing agile and flexible strategies to work with uncertainty as the new normal.”

Win or lose with talent and technology
To fuel the growth ambitions of their organizations, more than a quarter (27%) of middle market executives plan to increase their permanent headcount and a further 14% plan to increase the number of part-time staff.

Reflecting the growing impact of the gig economy on work patterns and a move to a more contingent, skills-based workforce, almost one in five (18%) companies plan to use contractors to help power their high-growth plans and fill specific gaps or needs.

Kimmitt added that middle market leaders are using technology to attract and retain talent, accelerate growth, improve productivity and increase profitability.

A staggering 93% of the executives surveyed saw technology as a means of attracting the talent they need. New developments in artificial intelligence are improving the recruitment and selection process for innovative start-ups to find specialist talent.

While only 6% of middle market organizations are already using robotic process automation (RPA) for some business processes, the vision of large-scale layoffs is not shared by these business leaders.

Fifteen percent of all middle market executive respondents believed that adoption of RPA will result in headcount reductions of less than 10%. This shows that middle market leaders are planning on the selective adoption of RPA to bring efficiencies to some routine operations – as an adjunct to human talent and not a replacement.

The survey also revealed significant differences between the world’s largest economy, the US where slightly more than a third (35%) of all companies plan modest growth increases of under 5%, compared to the world’s two tiger economies – China and India – where together, 42% of companies are targeting growth rates of 6%-10%. Moreover, a quarter (25%) of companies in tiger economies have current year growth plans of 11%-15%.

Growth forecasts for 2017
One in four entrepreneurs: 26%
One in three middle market organizations: 6 – 10%
Global GDP: 2.7%

Talent is the top 1 contributor to companies’ growth strategy – twice as important as cutting red tape
Trade agreements Cut red tape More investment New technology Improved operations efficiency Talent with the right skills

Contact us
Annette Kimmitt
Global Growth Markets Leader, EY
annette.kimmitt@au.ey.com
linkedin.com/in/annettemkimmitt

Read the online report EY Growth Barometer at http://betterworkingworld.ey.com/growth/growth-barometer
Global IPO markets rally

Asia-Pacific sees best half in 15 years

The global IPO market, with 772 IPOs raising US$83.4b in the first half of 2017, is off to one of its strongest starts in nearly a decade, according to the EY Global IPO Trends: Q2 2017 report.

The uplift in 1H 2017 was observed across all equity markets, with Asia-Pacific emerging top of the leaderboard in terms of volume and proceeds, accounting for 61% (468) of IPOs worldwide and 44% (US$37b) of global proceeds.

EMEIA remains the second most active market behind Asia-Pacific, where deal volume for the region increased by 22% over H1 2016.

Activity was broadly spread throughout the Asia-Pacific region with Greater China exchanges being the busiest in H1 2017 with 317 IPOs, ahead of Southeast Asia (48), Australia & New Zealand (45), Japan (38) and South Korea (20).

Southeast Asian markets enjoyed a stronger performance in Q2 2017 in both volume and proceeds compared to the previous quarter.

“We expect to see greater investment liquidity in H2 2017, which will be good news for companies that are planning to go public. The SGX is making efforts to help local technology companies access the capital market, and this should drive IPO transactions in the near future," said Loh.

On the global outlook for 2017, Dr. Martin Steinbach, EY Global and EY EMEIA IPO Leader, commented: “Economic fundamentals are improving in the major developed economies and IPO pipelines are building. Activity is underpinned by rallies in many bull markets reaching all-time highs, while investor sentiment has brightened and global outlook is positive. With the momentum of the first half, 2017 is poised to surpass 2016 global IPO levels by both number and proceeds.”

Contact us

Dr. Martin Steinbach
EY Global and EY EMEIA IPO Leader
martin.steinbach@ey.com

Max Loh
EY Asean and Singapore
Managing Partner
Ernst & Young LLP
max.loh@sg.ey.com
linkedin.com/in/maxlohkw
Global IPO activity in 2017 set to outpace 2016

YTD 2017  Change on prior year  Q2 2017  Change on prior year

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>IPOs globally</strong></td>
<td><strong>772</strong></td>
</tr>
<tr>
<td></td>
<td>▲ 70%</td>
</tr>
<tr>
<td><strong>$83.4b</strong></td>
<td>▲ 90%</td>
</tr>
<tr>
<td><strong>Proceeds</strong></td>
<td></td>
</tr>
</tbody>
</table>

Asia-Pacific is the leading center of IPO activity

Regional share by number of IPOs

<table>
<thead>
<tr>
<th></th>
<th>Regional share by number of IPOs</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>YTD 17</strong></td>
<td><strong>2016</strong></td>
</tr>
<tr>
<td>^13%</td>
<td>▼ 26%</td>
</tr>
<tr>
<td><strong>61%</strong></td>
<td><strong>12%</strong></td>
</tr>
<tr>
<td><strong>60%</strong></td>
<td><strong>28%</strong></td>
</tr>
<tr>
<td><strong>2015</strong></td>
<td><strong>12%</strong></td>
</tr>
<tr>
<td><strong>53%</strong></td>
<td><strong>31%</strong></td>
</tr>
<tr>
<td><strong>2014</strong></td>
<td><strong>25%</strong></td>
</tr>
<tr>
<td><strong>45%</strong></td>
<td><strong>30%</strong></td>
</tr>
<tr>
<td><strong>2013</strong></td>
<td><strong>31%</strong></td>
</tr>
<tr>
<td><strong>61%</strong></td>
<td><strong>27%</strong></td>
</tr>
</tbody>
</table>

Regional share by proceeds

<table>
<thead>
<tr>
<th></th>
<th>Regional share by proceeds</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>YTD 17</strong></td>
<td><strong>2016</strong></td>
</tr>
<tr>
<td>^31%</td>
<td>▼ 25%</td>
</tr>
<tr>
<td><strong>44%</strong></td>
<td><strong>17%</strong></td>
</tr>
<tr>
<td><strong>54%</strong></td>
<td><strong>29%</strong></td>
</tr>
<tr>
<td><strong>19%</strong></td>
<td><strong>36%</strong></td>
</tr>
<tr>
<td><strong>45%</strong></td>
<td><strong>19%</strong></td>
</tr>
<tr>
<td><strong>38%</strong></td>
<td><strong>31%</strong></td>
</tr>
<tr>
<td><strong>31%</strong></td>
<td><strong>20%</strong></td>
</tr>
<tr>
<td><strong>34%</strong></td>
<td><strong>31%</strong></td>
</tr>
</tbody>
</table>

Asia-Pacific leading sectors: industrials and technology

Activity Q2 2017

<table>
<thead>
<tr>
<th>Stock exchanges</th>
<th>Sectors</th>
<th>IPOs</th>
</tr>
</thead>
<tbody>
<tr>
<td>by highest total proceeds</td>
<td>by highest number of IPOs</td>
<td>largest by proceeds</td>
</tr>
<tr>
<td>Hong Kong (HKEx) and GEM</td>
<td>Technology</td>
<td>Netmarble Games Corp.</td>
</tr>
<tr>
<td><strong>$5.4b</strong></td>
<td><strong>$4.0b</strong></td>
<td><strong>$2.3b</strong></td>
</tr>
<tr>
<td>28 IPOs</td>
<td>43 IPOs</td>
<td>Technology South Korea Korea (KRX)</td>
</tr>
<tr>
<td>Shanghai (SSE)</td>
<td>Industrials</td>
<td>Guotai Junan Securities Co. Ltd.</td>
</tr>
<tr>
<td><strong>$4.9b</strong></td>
<td><strong>$1.7b</strong></td>
<td><strong>$2.2b</strong></td>
</tr>
<tr>
<td>56 IPOs</td>
<td>38 IPOs</td>
<td>Financials China Hong Kong (HKEx)</td>
</tr>
<tr>
<td>South Korea (KRX and KOSDAQ)</td>
<td>Consumer products</td>
<td>Lotte Chemical Titan Holding Sdn Bhd</td>
</tr>
<tr>
<td><strong>$3.9b</strong></td>
<td><strong>$1.9b</strong></td>
<td><strong>$1.3b</strong></td>
</tr>
<tr>
<td>8 IPOs</td>
<td>32 IPOs</td>
<td>Energy Malaysia, Bursa Malaysia</td>
</tr>
</tbody>
</table>
Murad Al-Katib, President and CEO of Saskatchewan-based AGT Food and Ingredients Inc., was recently honored as the EY World Entrepreneur Of The Year™ 2017 in June. Driven by a strong inclusive vision to provide safe, affordable and sustainable food, AGT Food and Ingredients is the world’s largest vertically integrated supply chain for lentils, chickpeas and peas, commanding revenues of US$1.49b with more than 2,000 employees on five continents. By accessing the business’ global supply chain and manufacturing and distribution networks, Murad has delivered over four million family ration cartons to international agencies for Syrian refugees under food aid tenders.

“Through his vision and approach, Murad has transformed an industry and today leads a company which has seen exceptional growth in the last decade,” said Mark Weinberger, EY Global Chairman and CEO. “He also demonstrates a clear purpose by embodying compassionate entrepreneurship, using his capabilities to make a positive impact by feeding millions and educating refugee families.”
Building a better working world for our clients

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

Our commitment to building a better working world is reflected in a truly borderless organization tuned to provide high-performance teams and exceptional client service quickly and effectively around the globe.

For more information on how we can help you, contact:

**Managing Partner**
EY Asean and Singapore
Ernst & Young LLP
Max Loh
+65 6309 8828
max.loh@sg.ey.com

**Head of Assurance, Singapore**
Ernst & Young LLP
Christopher Wong
+65 6309 6935
christopher.wong@sg.ey.com

**Head of Tax, Singapore**
Ernst & Young Solutions LLP
Sim Siew Moon
+65 6309 8807
siew-moon.sim@sg.ey.com

**Head of Transactions, Singapore**
Ernst & Young Solutions LLP
Purandar Rao
+65 6309 6560
purandar.rao@sg.ey.com

**Head of Advisory, Singapore**
Ernst & Young Advisory Pte. Ltd.
Cheang Wai Keat
+65 6309 8860
wai-keat.cheang@sg.ey.com
Does cybersecurity only become a priority once you’ve been attacked?

ey.com/betterworkingworld  #BetterQuestions

The better the question. The better the answer. The better the world works.