2020 “Virtual” MMC Manufacturing & Automotive Summit
September 23 | 1 pm – 3 pm EDT
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<tr>
<th>Topic</th>
<th>Presenter</th>
<th>Time</th>
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<tr>
<td>Welcome and Overview</td>
<td>David Carlson, Marsh Manufacturing &amp; Automotive Industry Leader</td>
<td>1:00 – 1:05 PM</td>
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<tr>
<td>Post COVID Megatrends &amp; Opportunities</td>
<td>Joern Buss, Partner, Oliver Wyman</td>
<td>1:05 – 1:30 PM</td>
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<tr>
<td>Cyber &amp; The Digitization of Manufacturing</td>
<td>Reid Sawyer, Marsh Cyber Risk Consulting Leader</td>
<td>1:30 – 1:50 PM</td>
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<tr>
<td>The Evolving World of Mobility</td>
<td>James Rose, SVP, Marsh Sharing &amp; Mobility Practice and John Moore, Engagement Manager, Transportation &amp; Services, Oliver Wyman</td>
<td>1:50 – 2:10 PM</td>
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<td><strong>BREAK</strong></td>
<td></td>
<td>2:10 – 2:15 PM</td>
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<tr>
<td>A Peek At The Workforce of the Future</td>
<td>Andre Rooks, Senior Principal, Mercer</td>
<td>2:15 – 2:35 PM</td>
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<td>Addressing Social Responsibility including Diversity &amp; Inclusion</td>
<td>John Legg, Career Office Business Leader, Mercer</td>
<td>2:35 – 2:50 PM</td>
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<td><strong>Q&amp;A and Closing Remarks</strong></td>
<td>David Carlson, Marsh Manufacturing &amp; Automotive Industry Leader</td>
<td>2:50 – 3:00 PM</td>
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Today’s Speakers

David Carlson
Managing Director, US Manufacturing and Automotive Industry Practice, Marsh
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John Legg
Career Office Business Leader, Mercer
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Post COVID Megatrends & Opportunities

Joern Buss, Partner, Global Automotive Practice, Oliver Wyman
Interactive Polling

“In 10 years my companies business model will be”: (please, select one)

A. Same/similar as today
B. Diversified/Rebalanced
C. Fundamentally different
1 Megatrends impacting the future post COVID-19
Post-COVID strategic questions
Beyond short to mid term, this document focuses on long-term consequences for the global economy

- Should we expect a change in the balance of power between nations?
- Will the crisis accelerate the ecological transition?
- Will we move from multilateralism to regionalism?
- Are we moving towards a deglobalization of trade?
- Which technologies will see their deployment accelerated by the crisis?
- Will consumer behaviors be lastingly impacted by the crisis?

**Associated questions for businesses:**
- What are the new growth opportunities?
- What are the new ways of working (remote working, employment & upskilling, reshuffled ecosystems...)?
Megatrends and their uncertainties
Megatrends are global and sustained forces that will very certainly impact the economy and society (ex: digitalization, aging societies, etc.), Covid-19 is a very good example of wildcard that can impact Megatrends.

Megatrends Characteristics

1. Megatrends are **connected and intertwined**: scenarios for the future can be built as the result of the combination of several megatrends effects.

2. Megatrends offer real **business opportunities**, however usually seized by pure-players first.

3. Megatrends have a **limited impact at the beginning**, before they widespread and break existing business models.

4. Because of their long build-up, **large companies often underestimate** their power or assume they have already integrated them into their plans.

Uncertainties impacting megatrends

**Individual Behaviors**
*Human responses & adaptation to megatrends*

**Social Movements**
*Organized resistances or reactions to identified trends*

**Black Swans**¹ & **Wildcards**²
*Uncertain events with big impacts*

1. Black Swans = Unpredictable (despite post-rationalization efforts) & high impact events
2. Wildcards = Low probability (yet predictable) & high impact events
Megatrends: Predicting the unpredictable
Because it was considered a low probability, the current crisis has completely disrupted public & private plans

Global risk mapping (impact vs. likelihood)

The diagram illustrates the relationship between the impact and likelihood of various global risks. The risks are categorized into different groups: Economic, Environmental, Geopolitical, Societal, and Technological. The likelihood is represented on the x-axis, while the impact is represented on the y-axis. Risks with low likelihood and high impact are classified as "Wild cats," whereas those with high likelihood and low impact are classified as "Business as usual." Risks with medium likelihood and impact are further divided into "Secondary risks." The diagram highlights the interconnectedness of these global risks and their potential impact on different sectors of the economy.
### Megatrends: COVID-19 Impact on Global Megatrends

The Covid-19 crisis will impact some “megatrends” – hence, shaping the world economy and trigger tipping points.

<table>
<thead>
<tr>
<th>Demographic Asymmetries</th>
<th>Economic Globalization</th>
<th>Resource Constraints</th>
<th>Innovation Acceleration</th>
<th>New Governance Models</th>
<th>Evolving Consumption</th>
</tr>
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<tbody>
<tr>
<td>Growing world population</td>
<td>Selective deindustrialization</td>
<td>Scarcity of natural resources</td>
<td>Digital &amp; data</td>
<td>Public debt crisis</td>
<td>Health and wellness</td>
</tr>
<tr>
<td>Urbanization &amp; densification</td>
<td>Changing balance of economic power</td>
<td>Energy revolution</td>
<td>Smart devices &amp; infrastructures</td>
<td>Asymmetric conflicts</td>
<td>New social networks</td>
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<tr>
<td>Rise of Asian &amp; African middleclass</td>
<td>Global mobility</td>
<td>Ecosystem at risk</td>
<td>Life sciences booming</td>
<td>NGOs and citizenship</td>
<td>Low/Cost premium polarization</td>
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<tr>
<td>Aging societies</td>
<td>Usage economy</td>
<td>Natural disorders</td>
<td>Industry 4.0</td>
<td>Global cooperation</td>
<td>Anxiety</td>
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<tr>
<td>Gender gap decrease</td>
<td>Rise of digital disruptors</td>
<td>War for talents</td>
<td>Autonomous vehicles</td>
<td>Knowledge society</td>
<td>Homing</td>
</tr>
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**Accelerating impact:** Low | Medium | High  
**Decelerating impact:** Low | Medium | High  

**Megatrends:** COVID-19 Impact on Global Megatrends

- Growing world population
- Urbanization & densification
- Rise of Asian & African middleclass
- Aging societies
- Gender gap decrease
- Selective deindustrialization
- Changing balance of economic power
- Global mobility
- Usage economy
- Rise of digital disruptors
- Scarcity of natural resources
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- Knowledge society
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- Health and wellness
- New social networks
- Low/Cost premium polarization
- Anxiety
- Homing
Megatrends: Most critically-impacted
10 out of 30 megatrends will be highly impacted by Covid-19 with expected lasting effects, with 5 out of 11 manufacturing & mobility topics being critical to track.

Mapping of megatrends by impact’s magnitude and elasticity
Size of the bubble represents the influential potential of the trend.
<table>
<thead>
<tr>
<th>Megatrends: COVID-19 impact on megatrends</th>
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<tr>
<td>Executive summary of key impacts</td>
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<table>
<thead>
<tr>
<th>DEMOGRAPHIC ASYMMETRIES</th>
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<tbody>
<tr>
<td>• Increased death rate of elderly people reinforcing need to re-think <strong>elderly care system and infrastructure</strong></td>
</tr>
<tr>
<td>• Highlighted need to <strong>re-design urban planning and management</strong> (health &amp; sanitation infrastructure, connectivity, surveillance..) and to de-density city centers to limit future outbreak propagation</td>
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<table>
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<tr>
<th>ECONOMIC GLOBALIZATION</th>
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<tr>
<td>• Global demand drop in international flights leading to <strong>industry consolidation or even nationalization</strong>; expected consumer retreat towards <strong>local mobility and domestic tourism</strong> in the short/ mid-term</td>
</tr>
<tr>
<td>• Wake-up call to <strong>regain autonomy on key strategic industries</strong> (agri-food, pharma and healthcare..) and to strengthen <strong>supply chain resilience</strong> to ensure minimum level of service during future crises</td>
</tr>
<tr>
<td>• <strong>Deployment of protectionist measures</strong> to balance China’s power and to support local economy</td>
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<tr>
<th>RESOURCE CONSTRAINTS</th>
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<tbody>
<tr>
<td>• Decrease in global demand for energy and metals raw materials leading to commodity indexes drop</td>
</tr>
<tr>
<td>• Positive impact of lockdown measures on natural ecosystems raising global environmental awareness</td>
</tr>
<tr>
<td>• Expected <strong>increase of sustainability-related public investments</strong> to mitigate future risks and relaunch the economy</td>
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<thead>
<tr>
<th>INNOVATION ACCELERATION</th>
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<tbody>
<tr>
<td>• Unlocking of digital disruption potentials in many sectors: <strong>teleworking, telehealth, E-education</strong></td>
</tr>
<tr>
<td>• Acceleration of <strong>healthcare investments</strong> (e.g. fast-track vaccine &amp; testing kit development)</td>
</tr>
<tr>
<td>• Increased need for <strong>smart devices &amp; infrastructure</strong> in the healthcare and public sector (flows monitoring)</td>
</tr>
<tr>
<td>• Renewed interest for <strong>Industry 4.0 as a supply chain resilience catalyst</strong> and <strong>strategic industries relocation enabler</strong></td>
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<table>
<thead>
<tr>
<th>NEW GOVERNANCE MODELS</th>
</tr>
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<tbody>
<tr>
<td>• Worldwide <strong>booming of public debt</strong> creating many uncertainties for sector dependent on public aid</td>
</tr>
<tr>
<td>• International /regional <strong>financial &amp; sanitary solidarity and cooperation</strong> counterbalanced by a <strong>nationalist and protectionist outburst</strong> (border shutdown, local product consumption..)</td>
</tr>
<tr>
<td>• Escalation of US-China tensions and expected long-term acceleration of preexisting conflicts</td>
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<thead>
<tr>
<th>EVOLVING CONSUMPTION</th>
</tr>
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<tbody>
<tr>
<td>• Strengthened health risk-adversity leading to the rise of <strong>new health-related habits</strong> (masks, hand gels) and a <strong>booming of telemedicine</strong></td>
</tr>
<tr>
<td>• Accelerated adoption of <strong>teleworking, e-learning and e-commerce</strong> expected to lastingly transform behaviors</td>
</tr>
<tr>
<td>• Increase of time spent on social media and broader adoption by <strong>new customer segments</strong> (children, elderly people)</td>
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</table>
Deep dive on selected megatrends – automotive & manufacturing
Several of these disruptive developments have strong and immediate impact on automotive & manufacturing supply chains, procurement organizations and other parts of the business

Selected consequences from disruptive megatrends

1. **SELECTIVE DE-INDUSTRIALIZATION**
   - Strengthening of supply forms of collaboration along the value chain to ensure minimum level of services during crises
   - Governments foster strategic autonomy in critical industries and are willing to decrease dependency from China – e.g. $2.2 BN stimulus package deployed by the Japanese government

2. **CHANGING BALANCE OF ECONOMIC POWER**
   - Increased deployment of protectionist measures
   - Attempts to decrease China’s role as the world’s factory amid high dependency and risks concerns
   - Governments promoting consumption of local products to support the economy
   - Increased regional economic & financial cooperation (e.g. €500 BN relief package approved by the EU)

3. **ENERGY REVOLUTION**
   - Short-term slow down of the energetic transition with postponed and canceled enterprise investments
   - Increase of government investments to mitigate future risks and relaunch economy (e.g. the Sustainable Europe Investment Plan, announced on Jan. 14th, aims to mobilize at least €1 TN of sustainability-related investments over the next decade

4. **SCARcity OF NATURAL RESOURCES**
   - Significantly greater price volatility for diverse set of automotive relevant raw materials
   - Decrease in global demand for energy & metals raw materials leading to commodity indexes drop (e.g. -9.3% decline in oil demand vs. -4.12% after 1979 oil shock and 40% decrease in energy commodities prices

5. **WAR OF TALENTS**
   - In the short-term, increased unemployment & competitiveness of job market (e.g. unemployment rate surge: 20% in the US in April 2020)
   - In the mid-term, new types of talent required to effectively manage operations – including a rising need for IT-, SW- and analytics specialists – e.g. as dedicated procurement staff

6. **DIGITAL AND DATA**
   - Digitalization & unlocking of digital disruption potentials in many sectors – e.g. worldwide, 13% of households with no internet connection
   - Establishment of definitive source of truth beyond traditional enterprise boundaries, and increased relevance of protecting important IP and customer’s data privacy
   - Teleworking boom: from 10m to more than 200m Zoom daily users in 3 months

Source: Oliver Wyman
A new world of industries, opportunities, value chains
### What about long-term?
Assessing how critically-impacted megatrends will reshape sectors

<table>
<thead>
<tr>
<th>Main industries</th>
<th>Impact magnitude</th>
<th>Long-term elasticity</th>
<th>Global Transformative impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oil &amp; Gas</td>
<td>-47%</td>
<td>19.8</td>
<td>High</td>
</tr>
<tr>
<td>Aerospace &amp; Defense</td>
<td>-45%</td>
<td>33.9</td>
<td>High</td>
</tr>
<tr>
<td>Air &amp; Travel</td>
<td>-45%</td>
<td>21.8</td>
<td>High</td>
</tr>
<tr>
<td>Banks &amp; Insurance</td>
<td>-33%</td>
<td>25.4</td>
<td>High</td>
</tr>
<tr>
<td>Automotive &amp; Manuf.</td>
<td>-33%</td>
<td>33.9</td>
<td>High</td>
</tr>
<tr>
<td>Chemicals &amp; Agriculture</td>
<td>-31%</td>
<td>26.7</td>
<td>Medium</td>
</tr>
<tr>
<td>Real Estate</td>
<td>-30%</td>
<td>11.4</td>
<td>Low</td>
</tr>
<tr>
<td>Business services</td>
<td>-30%</td>
<td>24.9</td>
<td>Medium</td>
</tr>
<tr>
<td>Apparel, Fashion &amp; Luxury</td>
<td>-29%</td>
<td>14.9</td>
<td>Low</td>
</tr>
<tr>
<td>Transport &amp; Infrastructure</td>
<td>-28%</td>
<td>28.4</td>
<td>High</td>
</tr>
<tr>
<td>Healthcare Facilities &amp; Services</td>
<td>-28%</td>
<td>26.2</td>
<td>Medium</td>
</tr>
<tr>
<td>Medical Technology</td>
<td>-26%</td>
<td>34.4</td>
<td>High</td>
</tr>
<tr>
<td>Electric Power &amp; Natural Gas</td>
<td>-25%</td>
<td>20.9</td>
<td>High</td>
</tr>
<tr>
<td>Food &amp; Beverages</td>
<td>-24%</td>
<td>26.9</td>
<td>Medium</td>
</tr>
<tr>
<td>Logistics &amp; trading</td>
<td>-23%</td>
<td>26.4</td>
<td>Medium</td>
</tr>
<tr>
<td>Telecom &amp; Media</td>
<td>-22%</td>
<td>26.4</td>
<td>Medium</td>
</tr>
<tr>
<td>High tech &amp; Electronics</td>
<td>-20%</td>
<td>31.4</td>
<td>High</td>
</tr>
<tr>
<td>Healthcare Supplies &amp; distribution</td>
<td>-20%</td>
<td>31.2</td>
<td>High</td>
</tr>
<tr>
<td>Pharma</td>
<td>-18%</td>
<td>31.2</td>
<td>High</td>
</tr>
<tr>
<td>Retail (excl. clothing)</td>
<td>-15%</td>
<td>21.4</td>
<td>Medium</td>
</tr>
</tbody>
</table>

1. Impact magnitude represents the market capitalization decline which is based on the weighted average year-to-date local currency shareholder returns by industry in percent.
Differentiated strategic agenda per sector
As a result, the automotive & manufacturing industry is clearly one of the industry that is pressured to transform and reinvent itself.

Mapping of sectors by impact’s magnitude and elasticity
Size of the bubble is market cap.\(^1\), in $ MM

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<table>
<thead>
<tr>
<th>Critically affected Trends</th>
<th>Related business opportunities</th>
</tr>
</thead>
</table>
| **Selective deindustrialization** | • Relocation of agri-food, pharma & health care supply chains  
• Public incentives and stimulus packages  
• Consolidation of weakened industries  
• Regional integration  
• Public-private partnerships  
• Automation: Industry 4.0, 3D printing, robotization |
| **Global Mobility** | • Safety & sanitary equipment (masks, gel, thermal cameras…)  
• Passenger health screening & tracking systems  
• Contactless payment & biometric-enabled security technologies  
• Gesture- and eye-motion-based systems enablers  
• Connected fleet and traffic management systems  
• Digitalization of transportation infrastructures  
• Local transportation offers & services |
| **Energy Revolution** | • Electrification  
• Higher-efficiency manufacturing & processing solutions  
• Dynamic energy grid management systems ("smart grids")  
• Local energy generation & storage systems |
| **Digital & Data** | • E-commerce, social selling & home delivery  
• IoT & homing devices (incl. specific devices for elderly people)  
• User generated content  
• Remote working infrastructure, devices & applications  
• Remote working policies & ways of working design consultancy services  
• Telemedicine systems & applications  
• E-learning applications & services (for education & professional training) |
| **Smart devices & infrastructure** | • Healthcare IoT devices  
• Seamless & contactless technologies  
• Flow (people, vehicles) monitoring systems  
• 5G/fiber infrastructures  
• Telediagnosis systems |
| **Life science booming** | • New Medical & epidemic R&D opportunities due to increased public investment  
• Agility & rapidity of R&D processes  
• Scientific knowledge management tools & systems  
• Open innovation systems |
| **Industry 4.0** | • Automation  
• 3D printing  
• Artificial intelligence & IoT (drones, smart sensors)  
• Advanced Data analytics  
• IT reliability & Cybersecurity  
• Supply chain resilience & agility |
| **Public debt crisis** | • Public-private partnership  
• Access to strategic and historical public sectors (health, infrastructure, energy, public transportation, airlines, etc.) |
| **Health & Wellness** | • Public health surveillance, tracking and monitoring systems  
• Medical and epidemic R&D  
• Healthcare systems rethink & integration (relocation of strategic pharmaceutical supply chains, etc.)  
• Regulatory reimagining of health care infrastructure & equipment  
• Silver-economy/Autonomy market  
• Telemedicine services and related AI devices and applications  
• Software management, cybersecurity and compliance services  
• Integrated health platforms  
• Self care, home care & health shopping  
• Health IoT devices  
• Contactless and gesture-free infrastructure |
| **Homing** | • Teleworking setup, equipment & applications  
• Ed-Tech and E-learning applications, services and products  
• Gaming  
• E-entertainment & digital services platforms (sports, movies…)  
• Immersion, interaction and new interfaces  
• Data protection and cybersecurity |
| | • Artificial intelligence and IoT  
• Remote industrial monitoring systems  
• Digital distribution & CRM  
• Sourcing, storage and inventory management systems  
• Industrial data exchange platforms  
• Cultural change  
• Shortening of supply chains to mitigate physical shocks risks, increase resilience and reduce emissions  
• Passenger health screening & tracking systems  
• Connected fleet and traffic management systems  
• Digitalization of transportation infrastructures  
• Local transportation offers & services |
| | • Last-mile delivery/transportation solutions  
• Electrification  
• Transport automation  
• Public health providers partnerships  
• Sector consolidation amid financial pressure  
• Asset sharing solutions amongst airlines, hospitality and leisure players |
| | • Unlocking of disruption potentials in several industries (telehealth, e-commerce, social selling, energy)  
• Increased personal data availability & sharing acceptance  
• Increased digital adoption & new usages (elderly people, children, homing, telecommunication) |
| | • Alternative materials and manufacturing processes R&D  
• Shortening of supply chains to mitigate physical shocks risks, increase resilience and reduce emissions  
• Energy sector consolidation amid financial pressure |
| | • Robotic process automation, machine learning, IoT solutions to ensure business continuity  
• Telemonitoring & access control  
• Contactless & seamless urban infrastructure  
• Flow monitoring (population, vehicles) applications  
• E-government applications |
| | • User content generation  
• Multiplatform services offering  
• Home delivery offers (food, flowers, medicines…)  
• Last mile and specialized delivery solutions (drones, automation)  
• B2B2C products & services to support smart homes |
Strategic challenges
At the crossroads of the Megatrends which will impact the World economy, 10 major strategic challenges emerge.

### GROWTH PLATFORMS

- **Rethink globalization through regionalization**
  - Develop regional approaches in order to de-risk globalization

- **Find paths for sustainable growth**
  - Design a purpose-driven growth agenda

- **Imagine the Contactless Economy**
  - Enhance customer experience through contactless solutions

- **Reposition Human Health & Safety at the core**
  - Reprioritize staff, client & partner safety

- **Ensure strategic autonomy**
  - Ensure autonomy of some strategic industries/ supply chains (pharma, healthcare..)

### ENABLERS

- **Financing the 0-risk economy**
  - Integrate risk in the cost structure, reducing negative externalities

- **Deploy resilient & agile business processes**
  - Launch new ways of working & ensure minimum level of services during crises

- **Deploy the networked value chain**
  - Increase collaboration & asset sharing within ecosystems

- **Design a new digital social contract**
  - Rethink the role of data & digital in the social structure

- **Accelerate on automation, connectivity & electrification**
Megatrends: Opportunities & strategic challenges

We recommend our clients to engage in strategic discussions that should challenge the current business model in light of the identified opportunities and strategic challenges requiring a reinvention of the industry.

Strategic Challenges

Growth Platforms
- Rethink globalization through regionalization
- Find paths for sustainable growth
- Imagine the Contactless Economy
- Reposition Human Health & Safety at the core
- Ensure strategic autonomy

Enabler
- Financing the 0-risk economy
- Deploy resilient & agile business processes
- Deploy the networked value chain
- Design a new digital social contract
- Accelerate on automation, connectivity & electrification

How do you lead in reinventing the industry?

Which opportunities should you pursue?

Who and what will your firm be in 5, 10, 25 years in light of new opportunities and strategic challenges Megatrends bring into this world?
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Cyber & The Digitization of Manufacturing

Reid Sawyer, Leader, US Cyber Risk Consulting Practice, Marsh
Interactive Polling

“Does your organization measure its technology / cyber risk in financial terms across the entirety of the value chain – Operations, Supply Chain (contingent business interruption), Distribution, and Customer?”

A. Yes
B. Somewhat
C. Not Enough
71% of organizations said cyberattacks are still a “bit of a black box.”

“We struggle to understand how an attack would impact our organization beyond the obvious.”
Measuring cyber risks

Resiliency today requires that organizations:
- Evaluate volatility to operations and impacts across both insurable and non-insurable risks
- Determine the efficacy of risk financing strategies and risk capital

Quality of risk is changing creating the need for an evolution in ‘risk understanding’

Deployment of risk capital should be viewed through lens of ROI and financial KPIs

IMPERATIVES IN PRICING EMERGING RISKS
- Risks are not ‘discrete’ in nature
- Traditional measurement approaches limit visibility
- An integrative view to risk is required
- Must evaluate risk in terms of current year P&L and the future strategy impact
Challenges

1. How do we price cyber risk?

2. Threats are outpacing responses

3. Need for change in ‘risk understanding’
Understanding volatility

MEASURING VALUE AT RISK

- First Party Risks
- Third Party Impacts
- Supply Chain and Contingent Business Interruption
- Intangible Asset Risks
- Regulatory and Civil Liabilities
- B2B / B2C Impacts
We are facing an arms race…can we afford our future?

679% Increase in cloud attacks on manufacturing*

$26b Email compromise losses (2016 – 2020**) 

58% Increase in IOT malware***

96% Malware is only seen once before it changes

* McAfee Quarterly Threats July 2020
** Federal Bureau of Investigation
*** McAfee Quarterly Threats July 2020
Indexing risks… at what point does an event create cascading impacts?
87% Boards and C-Suites lack confidence in cyber security measures

67% Would not adjust cybersecurity spending after a major supplier was breached
Connecting risk and strategy
Extended supply chain threats

We must map risks beyond the enterprise to the full ecosystem.
Defining metrics that matter

1. Resilience mechanisms challenged by cyber risks

2. Determine cost vs. volatility

3. Optimize risk transfer strategies
   - Within each risk
   - Across portfolio of risks

Create risk forecasts

Optimize risk transfer solutions:
- Insurance Markets
- Captive Solutions
- Alternative Risk Transfer
The Evolving World of Mobility

James Rose, Senior Vice President, Sharing & Mobility, Marsh
John Moore, Engagement Manager, Transportation & Services, Oliver Wyman
“How do you think usage of mobility substitutes (e.g., work teleconferencing, online grocery, telehealth) that have grown rapidly during the pandemic will change after lockdowns end?”

A. Large decrease in use of mobility substitutes / technologies, mostly back to the way things were before.
B. Modest decrease, many people will fall back into old habits.
C. No change, maintaining elevated usage but no further growth.
D. Low growth, usage will continue to increase from today’s level.
E. High growth, continuing on the high trajectory since March/April.
Growth of mobility substitutes during COVID-19
A large share of respondents are using work video conferencing, e-learning, and for the first time; established substitutes (e.g., social media/video conferencing, online shopping, video streaming) have seen drastic increases in usage

How has the COVID-19 pandemic impacted how much you use the following technologies
% of total respondents (n=6866)

<table>
<thead>
<tr>
<th>Technology</th>
<th>N/A - I have never used it</th>
<th>I have decreased my usage</th>
<th>I use it the same amount as before COVID-19</th>
<th>I have increased my usage</th>
<th>I used it for the first time</th>
</tr>
</thead>
<tbody>
<tr>
<td>Work video conferencing</td>
<td>44%</td>
<td>12%</td>
<td>1%</td>
<td>27%</td>
<td>20%</td>
</tr>
<tr>
<td>E-Learning / virtual classrooms</td>
<td>54%</td>
<td>12%</td>
<td>1%</td>
<td>27%</td>
<td>21%</td>
</tr>
<tr>
<td>Telehealth / virtual doctor visits</td>
<td>65%</td>
<td>15%</td>
<td>2%</td>
<td>42%</td>
<td>6%</td>
</tr>
<tr>
<td>Social video conferencing</td>
<td>30%</td>
<td>21%</td>
<td>2%</td>
<td>37%</td>
<td>8%</td>
</tr>
<tr>
<td>Online grocery shopping / food delivery</td>
<td>23%</td>
<td>29%</td>
<td>2%</td>
<td>42%</td>
<td>10%</td>
</tr>
<tr>
<td>Social / interactive media</td>
<td>23%</td>
<td>24%</td>
<td>2%</td>
<td>47%</td>
<td>11%</td>
</tr>
<tr>
<td>Video streaming</td>
<td>23%</td>
<td>2%</td>
<td>2%</td>
<td>2%</td>
<td>2%</td>
</tr>
</tbody>
</table>

1. Respondents asked to answer on behalf of themselves or anyone in their household
Usage of mobility substitutes after COVID-19

Across all mobility substitutes, the majority of users will continue to use at higher levels once stay-at-home orders end, suggesting staying power.

How frequently will you use the following technologies once stay-at-home orders end?

% of users

<table>
<thead>
<tr>
<th>Technology</th>
<th>I will definitely use it less</th>
<th>I will probably use it less</th>
<th>I do not think I will change the frequency</th>
<th>I will probably use it more</th>
<th>I will definitely use it more</th>
</tr>
</thead>
<tbody>
<tr>
<td>Work video conferencing</td>
<td>6%</td>
<td>14%</td>
<td>19%</td>
<td>40%</td>
<td>21%</td>
</tr>
<tr>
<td>E-Learning / virtual classrooms</td>
<td>7%</td>
<td>17%</td>
<td>21%</td>
<td>38%</td>
<td>18%</td>
</tr>
<tr>
<td>Telehealth / virtual doctor visits</td>
<td>6%</td>
<td>14%</td>
<td>20%</td>
<td>39%</td>
<td>20%</td>
</tr>
<tr>
<td>Social video conferencing</td>
<td>5%</td>
<td>15%</td>
<td>25%</td>
<td>37%</td>
<td>17%</td>
</tr>
<tr>
<td>Online grocery shopping / food delivery</td>
<td>4%</td>
<td>13%</td>
<td>24%</td>
<td>36%</td>
<td>22%</td>
</tr>
<tr>
<td>Social / interactive media</td>
<td>2%</td>
<td>15%</td>
<td>33%</td>
<td>32%</td>
<td>18%</td>
</tr>
<tr>
<td>Video streaming</td>
<td>2%</td>
<td>17%</td>
<td>31%</td>
<td>33%</td>
<td>17%</td>
</tr>
</tbody>
</table>

1. Respondents asked to answer on behalf of themselves or anyone in their household.
Why solving the delivery problem is important now

**COVID-19 Accelerates Need for Last-Mile Delivery**
- E-commerce spending in the U.S. is up more than 30% this year compared to 2019 and projections show this trend will be here to stay
  
  *Forbes 2020*

**Friction with Delivery Network Companies**
- Delivery Network Companies (DNC) charge retailers up to 30% in commission
- Data on delivery operations and end-consumers lie within the hands of the DNC’s
  
  *QSR Magazine 2018*

**Consumers’ Willingness to Pay**
- 30% consumers are willing to pay more for same-day delivery
- 83% consumers are willing to pay as much as $5 in delivery fees
  

**Rise in 1099 Workforce**
- Unemployment rate has soared to 14.7% this year as millions lose their jobs amidst COVID-19
  
  *Bureau of Labor Statistics 2020*
- More than half of the increase in 1099 workforce occurred between 2013 to 2016 and are attributable to the dramatic growth among gigs via online labor platforms
  
  *IRS Gig Work Study 2019*
How Risk Transfer + Tech + Service Meets A Critical Market Need

1. Employee + Employer Owned Vehicle
2. Employee, Independent Contractor (Hired & Non-Owned Auto)
3. Delivery Network Company

$500K+ Retention = Marsh + Partners Exclusive Solution

- Standard Admitted
- $0-500K Retention, Costly, Not Ideal Coverage

Gig Drivers’ Personal Auto
What is DeliveryPro?

Exclusive Offering by

Min. $500k
Limit excess of min $500k SIR

“Pay-per-Claim” Support

“Per Mile” Pricing

Mileage & Location Tracking by Arity

Standalone Program
BREAK…

Please return in 5 minutes- no need to log off.
A Peek Into the Workforce of the Future

Andre Rooks, Senior Principal with Mercer's Rewards Practice
Interactive Polling

“What percentage of the workforce do executives believe can adapt to the new world of work?”

A. 75%
B. 84%
C. 55%
D. 40%
Highlights from Mercer’s 2020 Report on Global Talent Trends (US Results)

Focus on futures
Work together to ensure people thrive now and in the future

Race to reskill
Transform the workforce by reskilling for a new world economy

Sense with science
See ahead by augmenting AI with human intuition

Energize the experience
Inspire and invigorate people by redesigning their work experience
focus on futures

Work together to ensure people thrive now and in the future
What delivers employees’ respect in the US?

Employees prefer to work for an organization that is known for

<table>
<thead>
<tr>
<th>Percentage</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>59%</td>
<td>Responsible rewards</td>
</tr>
<tr>
<td>56%</td>
<td>Physical, psychological and financial wellbeing</td>
</tr>
<tr>
<td>39%</td>
<td>Sense of purpose</td>
</tr>
<tr>
<td>39%</td>
<td>Care of people after they retire or are let go</td>
</tr>
</tbody>
</table>

It’s clear we need to think more broadly on how we can deliver responsible rewards. However only…

<table>
<thead>
<tr>
<th>Percentage</th>
<th>Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>25%</td>
<td>Provide financial education for employees</td>
</tr>
<tr>
<td>27%</td>
<td>Offer discounted rates on external activities</td>
</tr>
<tr>
<td>10%</td>
<td>Have analytics to identify the underlying causes of pay inequity</td>
</tr>
</tbody>
</table>
Transform the workforce by reskilling for a new world economy

welcome to brighter

• Copyright 2020 Mercer LLC. All rights reserved.
A new world and social order demands a new set of skills

78% of organizations are facing disruption

99% of organizations are planning transformation this year

Top transformation challenges

#1 Lack of workforce capabilities and skills

#2 Organizations ability to fund the change

#3 Lack of understanding of the need for transformation

#4 Apathy and change resistance
Career & talent experience is becoming more dynamic

The shape of work

Traditional
- Certification / skills aligned to JD
  - Jobs (task focus)
- Grading

Evolving
- Cross functional career pathing
  - Skills linked to role
  - Broad bands
- Leading
  - Skills framework
  - Roles (skills aligned)
  - Career levels

Future focused
- Talent marketplace / exchange
  - Assignment
  - Flat structure

Emphasis: shift to more flexible definitions of work
Increasingly focus on personalization

Career proposition flexibility

Limited lateral moves
Cross functional career pathing
Career experience
Dynamic career and talent management
Sense with science

See ahead by augmenting AI with human intuition
Use of operational oriented analytics are increasing

<table>
<thead>
<tr>
<th>Top Analyses Requested</th>
<th>Provided today</th>
<th>% YOY</th>
</tr>
</thead>
<tbody>
<tr>
<td>To what extent are there pay inequities by gender and race/ethnicity?</td>
<td>70%</td>
<td>+532%</td>
</tr>
<tr>
<td>What are the key drivers of engagement in our organization?</td>
<td>62%</td>
<td>+93%</td>
</tr>
<tr>
<td>Who is likely to leave in the next 6-12 months?</td>
<td>61%</td>
<td>+97%</td>
</tr>
<tr>
<td>Why is one team high performing and another struggling?</td>
<td>60%</td>
<td>+131%</td>
</tr>
<tr>
<td>How are our total rewards programs being utilized by our employees?</td>
<td>54%</td>
<td>+101%</td>
</tr>
</tbody>
</table>
energize the experience

Inspire and invigorate people by redesigning their work experience
What makes a great employee experience – Tech-enablement

What EX technology are you investing in in?

<table>
<thead>
<tr>
<th>Technology</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intelligent ‘nudging’ technology to help employees make better choices</td>
<td>49%</td>
</tr>
<tr>
<td>Chatbots for IT, HR, or other service delivery</td>
<td>47%</td>
</tr>
<tr>
<td>Colleague recognition tool</td>
<td>45%</td>
</tr>
<tr>
<td>Collaboration / remote team technology</td>
<td>44%</td>
</tr>
<tr>
<td>Innovation/ideation technology</td>
<td>44%</td>
</tr>
<tr>
<td>Outplacement digital offering</td>
<td>43%</td>
</tr>
<tr>
<td>Organizational network analysis (ONA)</td>
<td>43%</td>
</tr>
<tr>
<td>Personalized self-service employee portal</td>
<td>42%</td>
</tr>
<tr>
<td>Reward management system</td>
<td>42%</td>
</tr>
<tr>
<td>Mentorship tool/app</td>
<td>42%</td>
</tr>
<tr>
<td>Remote healthcare / telemedicine</td>
<td>42%</td>
</tr>
<tr>
<td>Personal financial management tool (wealth calculators)</td>
<td>41%</td>
</tr>
</tbody>
</table>

![Diagram showing the relationship between design, measure, and enable.](image-url)
Future of Work After COVID-19

Inspire and invigorate people by redesigning their work experience
Future of work after COVID-19
What to expect

• Work will relocate for people instead of people relocating for work
• Physical offices will not disappear but their purpose will change
• The 9 to 5 working week will continue to evaporate
• Welfare and sustainability will be attraction drivers
• Transparency and democracy in talent management will continue to increase
• AI will impact jobs and ML will transform how they are conceived, paid for and evolved
• “Gig Work“ and internal talent marketplaces will become commonplace
Diversity, Equity, and Inclusion: Time for change

John Legg, Career Office Business Leader, Mercer
Interactive Polling

“Do you know if your company has a multiyear D&I strategy?”

A. Yes
B. No
C. I don’t know
Let’s get real about equality

Organizations (115 in the manufacturing industry)

1,157

Representing

7.0M employees globally (665,000 in the manufacturing industry)

Across 54 countries in Asia, Australia and New Zealand, Europe, Latin America, Middle East and Africa, and North America
Pressure cooker

- Environmental, Social, Corporate Governance (ESG)
- Increasing Voluntary Disclosure
- Shareholder Activism
- Regulation and Quotas
- Pay Equity Mandates
- Millennial and Gen Z Demands

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Diversity = Representation
Inclusion = Experience
While there have been improvements in female talent flows and representation, projections show that gender equity is improbable in the next 10 years.
There is a long road to parity for manufacturing organizations...

...and the math is intractable.
The progress made over the past few decades in the U.S. has predominately been made by white women.
When we look beyond gender, a different story emerges

<table>
<thead>
<tr>
<th>Group</th>
<th>White</th>
<th>Black/African American</th>
<th>Hispanic/Latino</th>
<th>Asian or Pacific Islander</th>
<th>Other race/ethnicity/multi-racial</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executives</td>
<td>81</td>
<td>6</td>
<td>3</td>
<td>8</td>
<td>1</td>
</tr>
<tr>
<td>Senior Managers</td>
<td>80</td>
<td>4</td>
<td>4</td>
<td>8</td>
<td>3</td>
</tr>
<tr>
<td>Managers</td>
<td>76</td>
<td>6</td>
<td>6</td>
<td>8</td>
<td>4</td>
</tr>
<tr>
<td>Professionals</td>
<td>69</td>
<td>7</td>
<td>7</td>
<td>12</td>
<td>5</td>
</tr>
<tr>
<td>Support staff/operations</td>
<td>62</td>
<td>13</td>
<td>11</td>
<td>8</td>
<td>6</td>
</tr>
</tbody>
</table>

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People of color are under-represented in the US workforce, and at leadership levels, the disparity is even more stark.

Data is from Mercer’s 2020 “Let’s get real about equality” research; it includes data points from 100 US companies.

<table>
<thead>
<tr>
<th>Category</th>
<th>Total</th>
<th>White</th>
<th>Black/African American</th>
<th>Hispanic/Latino</th>
<th>Asian or Pacific Islander</th>
<th>Other race/ethnicity/multi-racial</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executives</td>
<td>85</td>
<td>23</td>
<td>6</td>
<td>3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Senior Managers</td>
<td>83</td>
<td>3</td>
<td>4</td>
<td>7</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>Managers</td>
<td>77</td>
<td>5</td>
<td>6</td>
<td>8</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>Professionals</td>
<td>72</td>
<td>6</td>
<td>7</td>
<td>11</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>Support staff/operations</td>
<td>64</td>
<td>12</td>
<td>10</td>
<td>8</td>
<td>6</td>
<td></td>
</tr>
<tr>
<td>U.S Population*</td>
<td>60</td>
<td>13</td>
<td>18</td>
<td>6</td>
<td>3</td>
<td></td>
</tr>
</tbody>
</table>

Source: Mercer’s “Let’s get real about equality” 2020 global results. Data points are US specific and includes data points from 100 companies.

*Source: U.S. Census Bureau Data, 2018
There is room to grow and close the representation gaps

say: 42% of U.S. organizations have publicly documented commitments to racial or ethnic equality

do:

- 13% Offer programs targeted at women of color
- 23% Review performance ratings by race or ethnicity to ensure against any adverse impact
- 38% Review engagement responses by race and ethnicity
Organizations are committed to D&I, but need a strategy and accountability to drive progress.

**say:**
77% of manufacturing organizations are focused on improving D&I

**do:**
43% of manufacturing organizations have a multiyear D&I strategy
Taking an evidenced-based approach to solving D&I challenges

Step 1: Diagnose
- Root your strategy in **proof**

Step 2: Align
- On the **business imperative**

Step 3: Engage
- Create **passionate leaders and drive personal commitments**

Step 4: Take action
- Ensure you have the right **practices, programs and processes** in place
Senior executives and the Board members are engaged in D&I efforts, but manager involvement is lacking and critical for creating an inclusive culture.

50% of manufacturing organizations report **middle managers** are actively involved in D&I.

36% of manufacturing organizations report that **front line managers** are actively involved in D&I.

38% of manufacturing organizations report that **men** are actively involved in D&I.
Organizations are adopting more disciplined methods of analyzing pay equity, but remediation is lacking.
74% of manufacturing organizations report pay equity is included as part of their compensation strategy.

say:

Methodology
56% conduct pay equity analysis using a robust statistical approach (the gold standard)

Remediation
Only 48% of manufacturing organizations have a formalized process for remediating pay inequities

Oversight
HR and the C-suite are actively engaged in pay equity efforts, but only 33% of manufacturing organizations engage the board in fair pay discussions.

do:
COVID-19 presents special risks to women and people of color in terms of workforce security

- Job security
- Financial safety
- Caregiving burden

It also presents opportunities to rethink/reinvent

- Workforce composition
- Pay equity
- Flexible work
Organizations have a unique opportunity to improve Diversity & Inclusion through their COVID-19 response efforts.

<table>
<thead>
<tr>
<th>Phase</th>
<th>Respond</th>
<th>Return</th>
<th>Reinvent</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Objective</strong></td>
<td>Determine appropriate cost-management action(s) or refine the prior action(s) taken</td>
<td>Prepare for employees returning to the workplace</td>
<td>Plan for a different future and consider opportunities for transformation beyond return-to-work</td>
</tr>
<tr>
<td><strong>Actions to Take</strong></td>
<td>Develop D&amp;I dashboards to quantify the impact of COVID-19 responses on each segment of the workforce</td>
<td>Leverage pulse surveys and virtual focus groups to understand the return-to-work experience of unique groups</td>
<td>Understand COVID-19 implications on mobility assignments and career progression opportunities</td>
</tr>
<tr>
<td></td>
<td>Leverage Internal Labor Market (ILM) maps to understand the impact of reductions on underrepresented groups</td>
<td>Develop inclusive leadership competencies to address new working environments and challenges</td>
<td>Develop new avenues for mentorship to facilitate networking opportunities for underrepresented groups</td>
</tr>
<tr>
<td></td>
<td>Conduct a pay equity analysis to understand who may have historically been overpaid; consider targeted pay reductions</td>
<td>Perform network analyses to barriers to inclusion</td>
<td>Re-envision BRG strategy to drive community virtually and boost employer brand while minimizing costs</td>
</tr>
<tr>
<td></td>
<td>Provide telehealth and digital solutions to address the unique health care needs of women and other groups</td>
<td>Formalize flexible work options and explore innovative accommodations for primary caregivers</td>
<td>Pivot talent acquisition strategy to leverage access to broader virtual labor market</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Re-design your D&amp;I function and overall strategy in preparation for the next wave of D&amp;I transformation</td>
</tr>
</tbody>
</table>
Download our global report

Q&A & Closing Remarks