

# Beyond Fundamentals

## Sustainable Growth & Transformation with Accenture

**Dan Davidowitz, CFA**  
**Portfolio Manager & Analyst, Polen Capital**

**Julie Sweet,**  
**Chair & CEO, Accenture**

**Dan Davidowitz:** Hi everyone. I'm Dan Davidowitz, Portfolio Manager and Research Analyst at Polen Capital. Today, I'm honored to be here with Julie Sweet, Chair and Chief Executive Officer of Accenture. Before becoming CEO, Julie ran Accenture's North America business. And before that, she joined as Accenture's general council, as she left her high powered law career to come here and join Accenture. A big move, that we're very happy she made.

**00:00:30** Julie serves on some important boards, including the World Economic Forums Board of Trustees and The Business Roundtable. And last year she was named number one on Fortune's Most Powerful Women in Business ranking. Julie, thank you so much for joining me today. We're going to talk about the importance of ESG, environmental, social, and governance issues. It's a real competitive advantage, I think, for some businesses, and we really wanted to bring it to life, really understand what a large global business deals with on a day-to-day basis.

**00:01:00**

**00:01:30** Accenture is a company that has over 600,000 employees, in over 50 countries, with over \$50 billion in annual revenue, and over 6,000 clients. So we thought it might be great to really understand how a company like Accenture deals with ESG issues. How you think about them? What does it mean in the real world? So in the estimate world, where I spend all of my time, you can't have a meeting without Environmental, Social, Governance, what's called ESG, issues coming up.

**00:02:00** And we can describe it from our point of view, but from the perspective of the CEO of a very large company, a global company, I want to know what ESG means to you. And what does sustainability mean to you? I've heard you say that sustainability is the new digital, spanning topics from transitioning to a zero-carbon economy to gender equality, human rights, responsible procurement, standing up against racism, upskilling employees, diversity and inclusion, all of these topics. So maybe you can help elaborate on why are these issues important to Accenture and what does it mean to you?

**Julie Sweet:** Well, thanks Dan. First of all, I love that we're having this conversation, and it makes me very happy to hear that you're always talking about ESGs when you're talking about investors, because I think investors have a really important role to play in holding us all accountable to being a sustainable business. When I think about ESGs for Accenture, and I think it broadly applies, I think about responsibility, results, and talent.

**00:02:30**

**00:03:00** So let me start with responsibility. Pretty simply, as companies, being sustainable is about doing the right thing. And that's why we once said, "Every business will be a digital business." And now we say, "That every business must be a sustainable business." And I think that's particularly true for the many companies who signed on to things like the Business Roundtable's commitment that the purpose of a company is to serve all of its stakeholders. And at the core of all the things you talked about in terms of what's covered by ESG is really serving all the stakeholders. And so it's the right thing to do.

00:03:30

The second piece is the results, though. It is really good business. And let me give you two perspectives from Accenture. Back in 2013, when we said, "Every business would be a digital business." We were less than 20% digital cloud and security. And so we had to completely rotate the core of our business. And that was when we doubled down on inclusion and diversity, because we knew that we couldn't become innovation led, which is what would be required, it wasn't that back then, you could simply go hire all the skills that you could do this. There wasn't a playbook.

00:04:00

We had to be more diverse in order to achieve those results. And when you look at what we've achieved since 2013, our success, we believe, is inseparable from our commitment to inclusion and diversity. And I'd also tell you though, it's a huge business opportunity. I mean, there's research that we just put out that said 99% of CEOs believe that sustainability is an important business priority. And yet, less than half think that they know what actions they need to take. Right? Huge opportunity for a company like Accenture.

**Julie Sweet:**  
00:04:30

The last thing I would just say is on talent. We believe that the best talent went to go to a company that both creates value and leads with values. And sustainability is the core of what employees, actually of all demographics, care about. So, if you think about it, responsibility, results, and talent, and it's a pretty compelling business case.

**Dan Davidowitz:**

00:05:00

That's very compelling, actually. It's far more kind apprehensive than what you would think when you typically talk about these topics. So when we talk about all of those issues, and I like how you've incorporated all of them into real business growth needs these things. Which one of the topics would you say, on ESG, is the most difficult to achieve? Or maybe the ones that you'd like your leadership tenure to be remembered by at Accenture, when, way down the road, hopefully, you decide that you've had enough?

**Julie Sweet:**

00:05:30

Well, Dan, let me first give you what I think is the easiest to achieve, because it is a thing that really bothers me and that's pay equality. About eight years ago, our Board asked a really simple question of the management to team. And they said, "How do you know that you're paying people equally for the same work?" And we were, at first like, "Well, of course we are. We have a very rigorous..." You can imagine our performance management, et cetera.

00:06:00

And we went off and we looked at it very rigorously and realized that, in fact, we didn't have all the safeguards in, and we weren't. And so, we immediately fixed it, and for the last eight years, we have a third party who actually looks at this with us every year. And if we see a problem, we fix it. And I share that with you because I think investors have an important role in asking that very simple question. And it is shocking to me how often I ask that question. And in fact, companies still today have not put in the right safeguards. And don't really know if they're doing pay quality.

So that's one I just wanted to share, because I think it's an important role.

**Julie Sweet:**

00:06:30

Then you go on the opposite side, and you think about climate change. And here, what's really important around climate change, obviously, there's some industries where it's really difficult.

But as you look at it for all companies, it's about the path you choose. So, when I became CEO two years ago, we were rated great. And those things are all wonderful, but we fundamentally knew there was a lot more we could do. And when I asked the team to come up with a new strategy to really take it to the next level, because we're going to help other companies do it. We want to walk the talk, in a meaningful way, despite our great rankings. The first thing that came back was too much around buying credits, because we travel a lot. That's a big piece of our climate issues.

00:07:00

What we said is, "We're going to make structural changes." So pre-pandemic, we had decided that we were going to cut our travel by 20%, structurally, which is a pretty big deal.

00:07:30

And so, what I would say is, again, it's the questions to ask, is the path to climate change that's sustainable, and it's not sustainable to get there by buying credits as kind of the primary way, is going to be both technology and structural changes in how you operate things like decreased travel, which seems easier now. But we all might forget. And so, I think asking the questions and really understanding are you making the hard changes? And that's true in a lot of aspects of sustainability.

**Dan Davidowitz:**

**00:08:00**

I mean those are, pay equality and climate change are two massive, massive things that Accenture is already leading the way on. So that's impressive. When I was reading and I was kind of impressed by in your United Nations Global Compact Report, it hit home with us where you discuss how you engage in all your relevant stakeholders. You just said that in your first answer too.

Our ESG framework at Polen Capital is built around that belief that the best companies are the ones that successfully add value to all of their stakeholders. And I'm curious how Accenture thinks about stakeholders, and how do you balance them? Are there some that are a little bit more important and some little bit less? I know probably the answer is they're all very important. But can you give us a little bit of idea of the tradeoffs that happen when you're dealing with some of these very, very large issues like you're talking about.

**00:08:30**

**Julie Sweet:**

Dan, that's a great question. Let's start with who our stakeholders are. We define them as our clients, our people, our partners, our ecosystem partners, our communities, and of course our shareholders. So, our top 500 leaders have a single scorecard. And on that scorecard are what we call the fundamental five.

So, the fundamental five are financial, so sales revenue profitability, clients, the client satisfaction, people, sustainability, and our ecosystem partners.

**00:09:00**

And why does that matter? So just like there are different, revenue priorities and different places you're going to invest. Of course, as you look at the fundamental five, we invest differently. So, we have a certain amount that we're putting in our communities for corporate citizenship. That is not the same amount as we're putting in the \$900 million we spend on training for our people.

**00:09:30**

What matters though is that core to our strategy, are these fundamental five. And we actually call it our 360-degree value strategy. That's both, we're going to create 360-degree value by serving all our stakeholder across these dimensions. And we create 360-degree value for our clients.

**Dan Davidowitz:**

**00:10:00**

So, you just mentioned about how much you spend \$900 million, I think, on training and development of your people. Human capital, or your people, your 600,000 plus people, which is an absolutely enormous number of employees at Accenture, are by far your most important asset. And your ability to attract and retain that talent has to be your biggest challenge, I would imagine, especially over the next several years, as you continue to scale. With that in mind, perhaps you can discuss your strategic priorities around training and development and how much diversity can play a role in meeting your workforce challenges as you go forward.

**Julie Sweet:**

**00:10:30**

Sure. Well, first of all, we believe that we have to be both a consumer of talent and a creator of talent. And it's grounded in that strategy. When we were shifting our business to be digital cloud and security, you couldn't hire at the scale. So, we made a bet on our own people. That's even more true today, and there's a big shift that we believe companies have to make that we've made a few years ago, which is to look at skills as opposed to roles.

**00:11:00**

So, we have 100% of our client facing people are in a database where we automatically populate what skills they have. We can use AI to see who can be upskilled. So, example, when the pandemic hit, in the first six months, we upskilled a 100,000 people to be new demand. So, using technology to help, and of course, it's enormously exciting to our people to have those opportunities. But as you think about, more broadly industries, this mindset shift to skills, because skills are going to become antiquated with technology, and we've already seen that.

**00:11:30**

And so, we think about new skilling or what new skills you need, upskilling and then outskilling. So, when you have people who no longer fit the journey, but you need to help them be skilled to take another job. And so that's both core to how we are successfully scaling, because you can't always hire. You also need to new skill and upskill. We think it's true for our clients too. Now diversity plays a really important role, first of all, in the innovation side, even that strategy is a very innovative strategy, and our learning and how we're learning is constantly innovating.

**00:12:00**

But we also believe that diversity's core to innovation. And when you look at what we've done over the last several years where we've had those parallel tracks of rotating our business and focusing on diversity, see how those come together.

**Dan Davidowitz:**

**00:12:30**

Yeah, that's pretty amazing. I don't think most people see how those things can come together. That's pretty impressive. So, we share your commitment to continuous learning at Polen Capital. We have a training budget for all of our employees, \$5,000 a year per employee. And you're about to cross over that billion-dollar threshold. So, you're outspending us quite a bit. But we also appreciate your use of technology. You were just talking about it, to provide an efficient way for employees to give feedback to each other.

**00:13:00**

We believe in that as well. I think you've disclosed that there were about 2.5 million instances of employee feedback last year, which is a pretty neat statistic. And that aligns with our principles on radical candor with our people. In today's labor market, do you view these cultural commitments to your employees as kind of table stakes for a modern enterprise? Or in other words, if you're not doing these type of things, can you really compete in the global economy if you don't offer that type of upskilling and retraining and those type of opportunities for your people?

**Julie Sweet:**

**00:13:30**

Dan, we do see them as table stakes, and they're actually broader, based on our research and our own analytic experience, it's broader than retraining. In fact, triggered in a lot of ways by the pandemic, employees are looking, what we call, about being net better off. So, it's clearly the financial, they get to pay them by market. You have to provide the professional development. But also, their emotional wellbeing, the relationship, and you've seen this with the focus on wellness that so many people are talking about.

**00:14:00**

We have over 180,000 people, who've completed our science-based training that we've provided to our employees and partnership with Thrive. And on average, they report an 11% decrease in stress. But if you just think about 180,000 people taking that training, it demonstrates how important this is. And we think about providing sort of are our employees met. But are often, it starts with our leadership principle. It's super simple. You can't be a leader at Accenture unless you care about our people both personally and professionally. And we think it's a big differentiator as to why people not only come here, but really why they stay.

**Dan Davidowitz:**

**00:14:30**

Yeah. Yeah. As I hear you articulating that, I can imagine the companies that don't do that and what a massive disadvantage they would be at. So how are you helping your customers achieve, your clients achieve, some of their sustained ability goals? Because Accenture has a very broad client base, very large companies and governments across the globe. I'm thinking about your resources segment, which often works with energy companies, and utilities, and mining companies, that are often not thought of in the good parts of ESG.

**00:15:00**

But I'm sure you're working with some of those companies to maybe help reduce their carbon emissions, or maybe you're also working with consumer products companies to make sure there's less waste, or maybe you're working with financial services companies to make sure that privacy is protected. So maybe you could talk a little bit about what does Accenture do for their clients that help them on their ESG journeys.

**Julie Sweet:**

**00:15:30**

Well, I'd probably start with all of the above. But we think about sustainability slightly differently when we talk about our clients. So, we created, last year, a role that's Chief Responsibility Officer and Head of Sustainability Services. And so, the things that you're talking about, whether it's utilities. We're creating a platform right now, to stop methane leaks. So, helping that entire industry green itself, big part of our services, small part relative to the rest, but a big part of our focus.

**00:16:00**

We're helping financial institutions, not just with data privacy, but actually looking at their downstream investments and what the carbon emissions are. They are consumer goods. It's not just waste, but it's also products themselves, both how they're made and what they are. And all of those, I call sustainability services that are specific, and those are fantastic. But the other piece that we're doing is actually embedding sustainability into all of our services.

**00:16:30**

For example, when you move to the cloud, we create a proprietary technology that measures the reduction in carbon. To help create the business case for moving to the cloud. There's a lot of spending on the supply chain. We developed an algorithm that helps you identify child labor. We've built that into one of our ecosystem partners, and we're going to take it across our ecosystem partners, so that when our clients are spending all the money they're spending for the supply chain, it can be built-in as opposed to being something separate.

00:17:00

And we helped launch the Green Software Foundation in partnership with Microsoft and other companies, to develop Green IT Software. Because right now our industry is about 4% of emissions, but by 2030, it'll be about 14% if we don't do something different. And so, imagine the power, when we're going to clients to say, "You're partnering with a company that will actually do the work in a more sustainable way. And you can and leverage our investments to help achieve your goals in addition to things that we're doing directly."

**Dan Davidowitz:**  
00:17:30

Wow. That really brings to light a lot of how you work with your customers. That's a pretty elaborate group of things, that you can work on to help your customers on their journey. There've got to be some customers, though I'd imagine, you have 6,000 or more customers, that are laggards to some degree, or maybe a little hesitant. What are the impediments usually for them to move on some of these journeys? Is it they worry about the growth of their business, maybe some negative margin impacts of their business or other stakeholder impacts? Why are some companies just a little hesitant to do what you're going to try to help them do?

**Julie Sweet:**  
00:18:00

I actually think it often just comes down to not knowing what to do, what the path is. And that comes from a few different reasons. First of all, for many companies, sustainability was off in the corner. It was about corporate citizenship. It was about doing some carbon emission stuff, getting on the right indices. It wasn't at the core of their business. And so, the shift which they're doing, and they have to do, because whether you look at investors or employees or consumers, they're demanding it.

00:18:30

But it's a big shift from get the good ranking, be in corporate citizenship, a little bit, check the box to make it quarter of the business. So that's the first issue. The second is that the technology isn't completely there yet. When you look at the ability to even track in your supply chain, when you look at... I have one CEO saying, "I'm going to my manufacturing facilities." I still have somebody with a clipboard going through it. I can't just stick it in and have it go all the way in my ERP System.

00:19:00

The technology's still catching up with what the needs are. And so that's also a limitation. And then finally, there's a lot of investment that's needed in general. And so how to balance what you go first, like if you're you behind a digital transformation, then doing something that's really technology based, which a lot of sustainability goals are going to require, is hard to do if you don't have the foundation.

And so, it's a mixture of things, which of course we see as a huge business opportunity.

00:19:30

And it's why the idea of embedding sustainability into some of these other essential moves is really attractive.

**Dan Davidowitz:**

Oh, that's interesting. Yeah. Especially, if you don't have that technology already solidified. Yeah. So, Accenture has multiple times been recognized as the number one publicly traded company for diversity inclusion by the Refinitiv Diversity and Inclusion Index. And we can certainly see, from what we can see as outsiders, that this seems to be the case.

00:20:00

But can you discuss a little bit more, we've already talked a little bit about it, why diversity inclusion became so important to Accenture? You talked a little bit about that already, but you know, where do you see it going from here? Do you get to a point where you feel like, yes, we're already there, we are diverse. We are inclusive. We have lots of people with lots of different experiences and backgrounds, and it makes us a better company, or is it a never-ending quest to get better and better every year?

**Julie Sweet:**  
00:20:30

Definitely a never-ending quest. And I think humility is really important to have, because knowing what you don't know and how much farther, and we work in a lot of different communities, and they're not all in the same starting point. What I would say is, I joined Accenture in 2010 and the CEO at that time, he said two things to me. First, he said, "We're all about change, super exciting to work at Accenture." And the second thing he said is, "We're fast followers." Fast followers.

00:21:30

Now you do not think of us as fast followers anymore. And when we were back in 2013, in having to lead the way in digital, when no one, we were the first company to create digital, we said we had to change the face of Accenture. That diversity was critical because, fast followers, it was fine to not be diverse.

00:21:30

But if you want to be an innovator, we needed the diverse thing. And we think of it very broadly, diverse thinking, diverse experience, geographic, age, as well as the categories that you think more traditionally. And so, it was a deliberate decision in order to accelerate the business priority of becoming innovation led from being a fast follower.

**Dan Davidowitz:**

So, one of the other areas of your business that I wanted to talk about was your Industry X.0 business where you're helping companies, particularly manufacturing companies, become better with automation, oftentimes in technology. Are you concerned at all that automation could displace human labor, which might conflict with one of your other goals, which is empowering today's workforce, bringing more diversity to the labor market in general, and particularly in lower income demographics?

00:22:00

**Julie Sweet:**

I once had a Senator ask me, "If I give a tax credit, could I get companies to not automate." Since this was a US Senator, I said, "Well, since the rest of the world will automate, they really probably can't do that."

00:22:30

Automation is inevitable. And automation by its definition is replacing human labor.

00:23:00

And in fact, at Accenture, we have a data AI technology first mindset, because we believe we are more competitive. If we can help our clients in what we do, do it faster, less costly, and more effectively. And that's how you use automation, and AI, and data.

00:23:30

So that's why it's also really important to be thinking differently about your workforce. And I go back to this idea of new skilling, upskilling and outskilling, and starting with understanding what the skills are. Because the beauty of technology, it's going to make you more competitive, it'll open up opportunities, but it will require different skills. And that's one of the reasons I talk so much about needing to have a shift to skills, is the best way to continue to empower workers is to understand skill sets and then be good either through partnerships or on your own, depending on your scale, in being able to new skill, upskill, and out skill, when necessary.

00:24:00

**Dan Davidowitz:**

So, using the tools of automation for your clients, then they free up the capacity to then upskill their own people to do something else?

**Julie Sweet:**

That's right. And when I talk about our strategy being 360-degree value, one of those things is around talent. And we want our clients to think of us as helping upskill their people by working through us. And it's actually something we're educating them about. I'd say every day, I said, "Look, every time we get hired, we should be asking our client, what's your talent strategy? Do you want to be able to do this long term on your own? By the way, we think even when you're outsourcing to us, you need these skills."

00:24:30

And helping train our clients that they should always be thinking about the talent strategy in order to benefit from working for us, but also to be focused on their own people so that there's clarity in what they can do to bring their people along a journey and create new opportunities for them.

00:25:00

**Dan Davidowitz:**

That's a much better sustainable way, it sounds like. So maybe one more question for you, as we start to think about all the things we talked to about today. There's a lot in the investment side of the world, anyway, a lot of marketing buzz around ESG. And a lot of times it's not hearing these great stories that bring it to life. So, from your perspective, what's truly important about ESG and what is just fluff? And if you could just convey to investors, what you think the best will way to think about ESG is, how would you say it?

00:25:30

**Julie Sweet:**

Look, I think it differs by industry. So, as much as I'm committed, and we're the first in my industry to say, "We're going to be carbon neutral by 2025." We're not going to move the needle. Okay.

And so important, but not moving the needle. What's really important in the company of over 600,000, is what are we doing about our people?

00:26:00

Are we paying them well? Are we focused on inclusion and diversity? Do we stand against racism? And so, I really believe that investors need to understand that while we'll have frameworks that require you to report against everything understanding really what matters in an industry where which metrics are relevant. And unfortunately, that's not an easy answer, because it really does differ by industry.

But putting in the work, and then focusing on those, and not holding people accountable or giving them a hard time on something that's just doesn't really apply. It's not really that out relevant.

But being really focused on the things that matter.

00:26:30

**Dan Davidowitz:**

Yeah. Oh, that's great. Julie, thank you so much for speaking with us today. These have really brought to light, in the real world setting in a very large global business, how ESG really works in the real world. And what does it mean. And we really appreciate you taking the time to talk to us today. Thank you so much.

**Julie Sweet:**

Great, well thanks Dan, and thanks for your focus. It really matters. It's both the right thing to do, but all of us will benefit and certainly generations to come. So, thank you.

#### **Important Disclosures**

The information provided is for informational purposes only. Opinions and views expressed constitute the judgment of Polen Capital as December 2021, may involve a number of assumptions and estimates which are not guaranteed, and are subject to change without notice. Although the information and any opinions or views given have been obtained from or based on sources believed to be reliable, no warranty or representation is made as to their correctness, completeness or accuracy. Opinions, estimates, forecasts, and statements of market trends that are based on current market conditions constitute our judgment and are subject to change without notice, including any forward-looking estimates or statements which are based on certain expectations and assumptions. This document does not identify all the risks (direct or indirect) or other considerations which might be material when entering any financial transaction.

This video should not be construed as a recommendation to purchase, hold or sell any particular security. The securities discussed do not represent the entire portfolio. It should not be assumed that any of the securities, transactions or holdings discussed will prove to be profitable, or that the investment recommendations or decisions we make in the future will be profitable or will equal the investment performance of the securities discussed herein. A complete list of our past specific recommendations for the last year is available upon request.