

SAKER NUSSEIBH, CEO, HERMES INVESTMENT MANAGEMENT, MONDAY 30 OCTOBER 2017
READ BY ANDREW PARRY

I was incredibly lucky to spend much of my formative childhood in Jerusalem. As a child, I loved to walk through the cobbled streets and alleys of the 'old city'. In my child's eye, I saw myself walking in the footsteps of the characters that form the core of the Abrahamic faiths, trending the same streets as they trod, feeling their presence, so to speak, on every corner and feeling somehow linked to them through time. It turns out, the city I walked around was mostly a medieval rebuild, but that knowledge was to come with maturity and never quite dimmed the romance. As a Muslim, I revered them all equally. I marvelled at Solomon's leadership and justice; I looked in wonder at David's tower and was always awestruck when I visited the rock under the Golden Dome, where Muhammad (PBUH) ascended to heaven. Yet what touched me most about these stories I imbibed as a child was not (I am ashamed to admit) a marvel at the Divine grace or the Power manifested on earth, but rather, the golden thread of humanity and kindness that linked all of them, that to my mind provided an example of what today we might call purpose. Muhammad (PBUH) laying his cloak for a pregnant cat to give birth on in comfort before ascending to heaven, Solomon (at least in Muslim myth) feeling sorry for and helping an ant in her daily toil, or Jesus showing unwavering kindness to the outcasts, in a society that self righteously excluded and judged them.

Years later, having immigrated to the UK, I ended up in finance in the mid eighties. These were the heady days of the Reagan-Thatcher revolution, when a new faith in the efficiency of free markets had started to take route to the exclusion of all else. One could have a personal moral compass, whether based on faith or no faith, but the 'real world' was ruled by immutable laws that drove the efficiency of progress, and nowhere more so than in the ever expanding eco-system of finance. The 'purpose' of business (which Muhammad (PBUH) once described as 90% of human endeavour) became simply to generate ever higher degrees of return, to paraphrase Milton Friedman. Nature (the ant if you will) was there to serve the endless march of this quest for financial progress; empathy (the caring for a pregnant cat) was mere sentiment, tolerated but so long as it didn't interfere with returns, and the outcasts had a moral duty to better themselves and fit in and so become better workers and consumers and stop being a drain on the nation's resources!

For a time, this seemed to work, at least in the developed world. Prosperity and stability ensued and experts enthusiastically called on the developing world to follow in its footsteps in accepting this new found belief system. Perhaps, the money changers were right after all.

Yet the crash of 2008 laid bare the mirage of the pursuit of returns efficiently as the only calliper to judge things by for the fake oasis that it is as we are faced today with the unavoidable reality that the system has failed. If we take the UK as an example, it led to UK citizens taking on additional debts of £1 trillion, or some £16,000 for every man women or child. That led to austerity, which led in turn to the cutting of government provided services; the NHS, education, housing, benefits which hurt the majority even more. As we struggle out of the depths of this crises that has created deep fissures in developed countries giving rise to insecurity and the manifest hatred of the 'other' we are faced with the prospect of technology creating a permanent underclass with AI and automation. Meanwhile the 'progress' of our economic growth has put our planet in real danger.

I am not advocating abandoning the capitalist system. What I am advocating is harnessing it with purpose, as Cardinal Nichols recently called for. That purpose should be the service of all stakeholders and should look beyond short term nominal financial returns and embrace a more holistic approach that encompasses an assessment of all the results of our actions, whether positive

or negative, on society as a whole, for the financial system is not separate to the world we live in; it is an integral part of it and it shapes it and shapes our future.

The asset management industry controls the stock of human wealth through their savings, some \$70 trillion, and yet has concerned itself hitherto with only pursuing nominal financial returns, thus abrogating the responsibility for the consequences of its actions and inactions. We at Hermes believe this approach to be flawed. We have long taken a stance that investment should be responsible and that the returns we should seek should be holistic and not only financial in the narrow sense. To that end we formulated our pledge which each member of the firms signs personally thus ascribing a purpose to their work and taking personal responsibility for it. It is a sad reflection of the state we are in that we are the only house to pursue such a pledge. The religion of free market economics is strong and deep rooted even if the evidence for its failure is strong. And talk of religion is pertinent. We had a huge internal debate whether we call our undertaking an oath or a pledge as if there is embarrassment of anything that can be attributed to faith. Yet, I would argue that moral leadership is needed at this time, and faith based purpose can provide the way forward to all, for all faiths have in common this golden thread of working to benefit the whole of society and caring for our environment at their core. At Hermes, we hope to show by example that by applying this purpose we are better investors- that being good is good business. If we as a group come up with the common denominators that defines our common purpose and put our assets to work accordingly and show success, we could become the pebble that leads to change and change is what we as fellow human beings need at this juncture in our history.

Saker Nusseibeh, Hermes Investment Management

Saker Nusseibeh is Chief Executive of Hermes, chair of its Executive Committee and an Executive Board Director. He was appointed CEO in May 2012. He joined the firm in June 2009 as Head of Investment and Executive Board Director. He is responsible for leading the firm's growth strategy and ensuring that Hermes continues to deliver excellent long-term investment performance, responsibly. Long-term investment performance has remained at outstanding levels during his tenure. Previously he was Global Head of Equities at Fortis Investments USA, and CIO of Global Equities and Head of Marketing for SGAM UK. He started his career at Mercury Asset Management in 1987. In 2011 he founded the 300 Club, a group of leading investment professionals who seek to challenge investment orthodoxy and improve the contribution of financial services to society. He is a member of the CFA Institute's Future of Finance Advisory Council, a member of the IIRC Council, and was a public member of Network Rail for three years until November 2014. He was recently invited to join the Banking Standards Board, which aims to restore trust in the UK banking industry, and sits on: the advisory board of Mosaic, a charity for young people; the UK National Advisory Board on Impact Investing; and the steering committee for the UNEP Finance Initiative. In 2015, he was named CEO of the Year at the Global Investor Investment Excellence Awards. He is a regular public speaker, writer and commentator. He has a BA and PhD in Medieval History from King's College, London.