Broadening the impact of faiths as investors – working for an Earth Dividend
Richard Burrett Earth Capital Partners LLP, October 31st, 2017

Thank you distinguished guests, ladies and gentlemen. Thank you for the opportunity to support this important work and for allowing me to add a small contribution to our discussions here in Zug.

Looking at the first element of my topic for today – why do we need to think about our impact as investors?

Firstly because I would argue that the financial system as currently configured and operating is largely failing broader society. We are experiencing the following consequences of the current model of economic growth:

- The increasing impacts of climate change are threatening the foundations of our socio-economic progress
- Unparalleled levels of biodiversity loss are undermining the natural capital which underpins so much of our economic and financial capital
- Wasteful economic activity burns through the renewable resource base of our planet long before the year is over
- Growing income inequality threatens social stability and is leading to alienation, extremism and conflict
- And billions fail to enjoy even the basic needs of food, water and energy security

So are we really financing the future that we collectively want? Do we really understand the wider impacts of the decisions we take to finance company A rather than company B or invest in project A rather than project B?

Do we really understand the broader socio economic or environmental impact of our financial decisions – both now and in the future?

There was a time when you could win a Nobel prize for Economics whilst espousing that the "business of business is business" and that "the social responsibility of business is to increase its profitability". That was Milton Friedman of course – one of the most influential economists of the 20th century. That approach now looks outdated. Post Global Financial crisis and facing the challenging social and environmental context of the 21st century, seeking clarity on the social purpose of the businesses we finance – indeed on our own motivations as providers of capital seem to be much needed concerns.

As investors and financiers of the local and global economy we have perhaps one last opportunity, and I would say responsibility, to ensure that the capital we deploy provides not only financial but also sustainable socio-economic returns. I say one last opportunity because the scale of emerging threats need an immediate response before we risk irreversible damage to the natural capital which underpins our socio-economic wellbeing. Fully integrating environmental and social analysis into our decision making as investors is a material fiduciary duty for us all.

I represent a company Earth Capital (part of SET3 – Sustainable Earth Technologies group) which has that philosophy at its core. Earth Capital's currently manages the Nobel Sustainability Fund® established though a partnership with the Nobel Sustainability Trust® to encourage research and/ or the practice of sustainable and renewable energy and other clean technologies. We are an investment manager focused towards sustainable technology venture and growth capital, renewable energy infrastructure; and sustainable agriculture. Earth Capital specialises in investments that seek to provide an attractive financial return and can both provide support to, and benefit from, the Sustainable Development agenda.

That short advertorial enables me to move to the second element of my topic for today – working for an Earth Dividend. We have developed an approach to sustainability to ensure that the investment process adequately analyses the overall "footprint" of potential investments – both positive and negative which I want to share with you today.

The Earth Dividend™ scorecard (which assesses impacts across 30 dimensions of Natural Resource Consumption; Ecosystem Services; Pollution Control; Social and Economic Contribution and Society and Governance) has been developed by Earth Capital following review of best practice approaches to the assessment, reporting and assurance of environmental, social and governance issues and performance. The Earth Dividend™ is assessed and reported annually, at which time each investment we hold agrees a performance improvement plan with us. The plan targets improvements in the asset's contribution to sustainable development which will also seek to enhance the underlying commercial performance of the asset. Creating dividends from a financial and societal perspective.

This type of holistic ESG assessment can pay dividends for larger institutional investors too. As universal owners of companies and businesses in the economies into which you invest you have a critical stewardship role in ensuring the societal progress you want to see. The capital you deploy at scale can have a positive socio-economic contribution, you can decide to generate improvements in people lives and wellbeing. You can seek to make society more resilient to the looming challenges that our at times unfettered and wasteful economic growth model is causing. The way in which you deploy your capital is critical to that.

Frameworks such as the Sustainable Development Goals can help investors to focus on the key areas of need in the societies in which you operate. They can provide a helpful roadmap to target positive socio-economic impact whilst highlighting areas where we need to mitigate potential negative impacts. They can help to inform our thinking about the impacts and consequences of our financial decision making. To broaden our impact and generate more than just financial dividends and return.

The financial system in general and in particular the investment sector can play a catalytic role in delivering a low carbon, sustainable and inclusive society. I say in particular as investors have the power to engage and influence the companies into which we invest. We are a potent force within the economy. We can decide to do good in impact terms and finance change. At the same time by integrating ESG thinking into our investment processes we can change the way we do finance and ensure fewer harmful consequences of our investment decision making.

This event is such a great opportunity to reflect on these issues and contemplate the future we want for ourselves and for generations to come. That is the dividend we can deliver. Financing the future we want.

Richard Burrett, Earth Capital Partners LLP

Richard Burrett leads implementation of the sustainability strategy at Earth Capital Partners. He has over 30 years City experience in investment banking, project finance and sustainability including 20 years at ABN AMRO Bank. He was instrumental there in developing the Equator Principles, a risk management framework adopted globally by financial institutions to assess and manage environmental and social risk in projects. He went on to originate and lead the Sustainable Development Strategy for the group. He was Co-Chair of the UNEP Finance Initiative from 2009-2012 and was an external board member of Forest Renewables (part of the Scottish Forestry Commission) working on the development of the renewable energy potential of its national forestry estate. He is a Fellow of the Cambridge University Programme for Sustainability Leadership and a Senior Adviser to the Earth Security Group. He is the FMO (Dutch Development Bank) nominated non-executive Director of Union Bank of Nigeria PLC and is also a Board Member of Forest Trends, promoting market-based approaches to forest conservation. (UK)