

PENSIONS FOR PURPOSE PODCAST TRANSCRIPT
SEASON 2 EPISODE 19 WITH SAIL INVESTMENTS – COP30: PUTTING NATURE CENTRE
STAGE IN CLIMATE INVESTMENT

Laasya Shekaran, Pensions for Purpose: Hello everyone, and welcome back to the Pensions for Purpose Podcast. I'm your host, Laasya Shekaran, and I lead our Community at Pensions for Purpose.

Now, we have a really big event coming up in the world of sustainability – COP30. This is the 30th annual United Nations Climate Change Conference, and this year, it's being held in Belém, Brazil, from 10 November to 21 November. We're recording this episode at the end of October, but when the episode comes out, negotiations will actually already be underway in Brazil. In addition to COP30, we also have another really important event coming up in the world of sustainability. This is an event that investors are probably aware of, but the wider world around us may not hear about so much, and this event is the Principles for Responsible Investment (PRI) in-person event, which is taking place in São Paulo, Brazil, the week before COP30.

For long-term investors, these moments really matter. The commitments made on climate and nature shape the world economy influence markets, portfolios, long-term returns and, of course, on a human level, they affect our futures and our qualities of life as well. But it can be really hard to know what we should actually look out for, or how these discussions translate into real investment action.

I'm really glad that we're having this conversation today, because we're going to get into all of this and really unpack what to look out for, and what all of this means for investors. To help unpack all of this, I'm joined by Michael Schlup and Johnny Brom from SAIL Investments, a global private credit manager financing sustainability transitions inside major companies, across high-risk food and agriculture supply chains. SAIL is also Pensions for Purpose's Ecosystem partner for our Climate Innovation work, and we've really loved working with the team over this year.

Between Michael and Johnny, they've spent years turning climate and nature ambitions into measurable, large-scale investment outcomes. What's more, for the conversation today, they've both spent time at previous COPs, and indeed, Johnny will be heading to Brazil next week. They're really the perfect people to help us understand what we should be looking out for, and what investors can take from this year's significance. I'm absolutely delighted to welcome them both to the show. Michael, Johnny, welcome, it's really great to have you both here.

Johnny Brom: Thank you, it's nice to be here.

Michael Schlup: Hello.

Laasya Shekaran, Pensions for Purpose: Let's start at the beginning, with a bit of a basic question. What is the point of COP30, and what are the key things that investors should be looking out for?

Johnny Brom: I'll start, more from the Chief Investment Officer (CIO)'s perspective. COP30 marks the 30 years, as you mentioned. In general, for the layman, COP, as you said it's good to see in the mainstream media what the outcomes of it are, but it's not something that I think people are specifically focused on, or even going to as an investor. It's really where governments and non-governmental organisations (NGOs) come together, and governments negotiate around climate change. From my perspective, it's interesting that it's in Brazil, a place

where we invest a lot, and we will be looking to see what kind of outcomes and what announcements are made. Maybe, Michael, you can give a bit more context on what COP is, what's the history of COP and why it is relevant for us as investors?

Michael Schlup: I think, as you say, predominantly COP is a gathering of governments to negotiate international commitments at the international regulatory framework, which then ultimately percolates into national regulatory frameworks and obligations for businesses, investors and legislation. So, that's definitely at the top of the pyramid in terms of regulation, and it is also what we need to be looking out for.

I think COP has got a very different meaning over the last few years. The first COP I went to in 2005 was in Montréal, Canada; that was a little gathering of a few hundred people. I actually sat next to Bill Clinton at the time. It was a very intimate gathering, and it has really evolved into something that is more like the global trade fair for climate. Tens of thousands of people are actually attending, and I'm increasingly questioned at home by my friends, saying, 'You want to protect the climate, so why are you flying there?' I think it's really to meet all different actors, but as Johnny says, I think probably the group of actors that is least present in these conferences are investors. It's mostly about governments and regulators, etc, being there, and then regulation like the European Taskforce on Nature-related Financial Disclosures (TNFD) and the European Green Deal – all of this flows from that.

Johnny Brom: Michael, just one thing that's interesting for the UK audience, which I guess is mostly the audience here. In Glasgow, they had COP26, where they made a big focus on the investment industry being present, and I think they did a great job. A lot of big banks, a lot of C-suite people from the investment community. Alok Sharma, if you remember, was leading that. I think Glasgow was particularly impressive in terms of putting the investment agenda front and centre. That's not typically been the case in the past.

Michael Schlup: No, and it's really also involved from this niche policy-making event to being more of a geopolitical event. Copenhagen in 2009, then Paris: those COPs were where climate became the geopolitical, issue. I think what the UK wanted to do in Glasgow, and I think what is becoming more and more prominent is, who's actually going to pay for all this? Because the world has to transition.

As the world has to transition, I think everybody's looking to mobilise money. One of the big divides at the COP, and we will see this again this year, is always the Global South telling the Global North, 'You are telling us we should forego development in order to protect the climate.' The example of Brazil is, 'You're telling us we should protect our forests in order for your climate, our climate, to be protected, but then look at Europe: all of the forest has actually been chopped down, you've had all your development. So, are you going to pay us for keeping our forests standing?' So, that's a very big divide, and that's definitely one of the big debates that we will see at this COP. At a political level, I think what investors are looking for is how can they get ahead of the regulatory curve that is going to flow from that, ultimately, because someone will say, 'I'm going to pay something, but I'm not going to pay it myself. I'm actually going to make my businesses, my investor community, my taxpayer pay for it.' That's ultimately what is happening then, with regulation driving investment into certain spaces, into protecting climate, into renewables; but now also increasingly, and we see this because this is one big topic also for Brazilians, to nature.

Laasya Shekaran, Pensions for Purpose: It's really fascinating to hear about how much it's changed, and I'm sure you have some good stories from your time there, especially that first one, so I'll have to hear about those sometime. COP26 is really the one that I think a lot of our

UK audience woke up to, or became really aware of, because of how much the finance industry was involved – but it sounds like, more generally, it's more about coming together.

This year, we have seen some rollbacks from governments and their approach to climate change. In particular, across the pond, the US are rolling back the way they're approaching climate change. Do you have any concerns about how effective COP can be, if that's the stance that major governments are taking?

Michael Schlup: This wouldn't be the first rollback that we've seen. We've seen a number of rollbacks. Copenhagen, for example, in 2009 was a major rollback on the ambition that the international community thought they had, but then they didn't have. I think these rollbacks come every now and then. So, I think the individual COP's success is maybe a bit overrated. I think what is more important is what we see in the real economy.

In terms of climate, or even actually in policy-making, because if you think back 20, 25 years – which is the first time I started to be involved in this space – this was really a niche issue. Renewables in Europe were considered a risky asset, and things have changed a lot. This is now a geopolitical issue; it's mostly about who's paying for what.

Johnny Brom: We all think about the Paris Agreement of 2015. That was a monumental agreement where the governments came together. That's not going to happen this year, that level of significance, but it's going to be good discussions. I think, again, this Global South, Global North, is going to be a lot of the discussion, and who pays for what.

One thing that's interesting, from us as investors, is we're busy fundraising ourselves. We have been speaking at a lot of conferences this year, been in the market a lot, talking to investors, and what I am liking is a shift in discussion toward, 'there must be value, so it's not that there's a rollback'. This is from general partners (GPs) and limited partners (LPs) I'm talking to, the ones who are interested in the space. They're saying there must be real economic value to investing in sustainability, nature and climate. That's good. I think, a few years ago, for me, it was, 'We can't do it, who's going to pay for it?' I think the discussion now is not that they don't want to pay for it; it's like there must be value, because my pension, my insurance, my insurance premium, my insurance premium holders, they need to see the value of the investment, and that's a good thing. That's certainly a sales perspective on the space. We see a real business case, a real offer we can generate, investing in the space, helping companies be leaders on the sustainability transition. I think more investors are looking for that value, so that's a positive.

I'm actually not going to COP. I'm going to São Paulo, which Laasya mentioned to you before. It's interesting. In Brazil, just to give perspective, Belém is in the Amazon, it's a three-and-a-half hour flight from São Paulo, which is the financial capital of Brazil. It's miles away, in a way, that the whole financial community is actually going to São Paulo and Rio de Janeiro. Rio and São Paulo are close to each other, for a lot of conferences and meetings around the concept of climate and nature. I think in Brazil, climate and nature are interlinked completely. So that's where I will be, but I'm expecting the discussion to be quite pragmatically, okay, with asset owners starting to say, 'I have a problem, I really would like to invest in natural capital, or in the climate transition.'

I'm doing quite a lot on the climate transition, especially the European investors, European and UK investors, but on nature now, which is a major focus. They actually want to know how it can be achieved, and that for us is a very positive development we have seen, even though maybe you could say from the United States, there's been a different rhetoric from Washington. I

haven't seen that rhetoric necessarily from investors – they're looking for value. I think no one will dispute the fact that we would like to protect nature. We want nature. It's just the rhetoric is not, 'Okay, how do we do it?', and that's, for me, positive. That means asset owners are really trying to understand how can we invest to actually generate natural capital benefits.

Michael Schlup: I think with the facts that we see, also, with climate changing and the nature loss that we see, no one's disputing anymore, 'Should we do it?' It's really, as Johnny says, how do we actually do it? How do we actually do it within the boundaries of what we are supposed to do as a pension fund, to deliver pension, deliver returns that pay for the pensions of our premium holders?

Johnny Brom: Definitely European and UK investors. Nature is very front and centre of discussions, which is good to see. I was a bit frustrated; although I'm a big fan of him in general, Bill Gates put out a memo when we were doing this yesterday, or the day before, so a couple of weeks before COP, focused on what they would like from COP, and there was no mention of the word 'nature'. It was all focused on climate. I agree with them, we should be quite positive on what can be done in terms of the climate transition, but if you don't consider nature and the value of nature, the 1.5 degrees Celsius is not so relevant. You can't do those two things separately. So, I think for me, that feels like an antiquated story now, considering we're talking about a climate CO₂ number.

Laasya Shekaran, Pensions for Purpose: Yeah, and it's not a coincidence that COP30 is being held in Brazil, the home to the Amazon rainforest and some of the world's most nature-dependent industries. It feels like this year, more than ever, it is so important that we're linking up those conversations around climate and nature. We can't think about them in silos.

It sounds like Bill Gates perhaps isn't integrating nature so much into his thinking on climate, but more generally, how do you see nature being integrated alongside those climate conversations at COP, but also at the PRI, and at the other conferences and events going on in São Paulo, where the investment community will be gathering?

Michael Schlup: Nature, or nature loss, is mostly from deforestation or conversion of land, mostly agriculture is responsible for a quarter of the world's emission. So it's really surprising to me as well that this aspect has just gone completely forgotten, and all the more so surprising, because it's actually relatively simple to stop nature loss and to stop these emissions, because deforestation, that's a behavioural thing. You deforest because it's easier to deforest, rather than focusing on the methods of production. It is a behavioural thing to change. You don't need tech, you don't need to innovate, it's investing in existing companies, and helping them shift the way they operate today.

Laasya Shekaran, Pensions for Purpose: That's fascinating, because changing behaviour sometimes does feel harder than introducing new tech, because you've got to actually deal with people and changing mindsets.

Michael Schlup: Yeah, but at scale, we want to innovate us into a new economy, and that would be very difficult with just tech. I think we need to change the industry that is there.

Johnny Brom: Michael, Laasya has a very good point. If you think of what we do, we finance what we call blueprints. We go into, say, the cattle supply chain in Brazil. We finance a couple of companies who we think are the leaders, who have models that make economic sense, but, instead of deforesting, you can actually intensify. When we talk about intensification in cattle in Brazil, it's already so extensive. Intensifying is still ten times more extensive than what you see

in Europe and Brazil, but if you have the blueprints, then the change happens. That is hard: getting the change, integrating that human change, but then it becomes a successful model, and the tipping point works. Then you start getting there, and the rest takes care of itself. in a way, the market takes care of itself. You need those examples, and significant enough of them, for that to happen.

Laasya Shekaran, Pensions for Purpose: I think the really important point you make is about tying it to economic value, so it's not just, 'Do this because it's the right thing to do'. Morally, you also have that really clear financial case for it.

Johnny Brom: We are continuously making the case to our borrowers. There's a number of reasons to consider why you would really integrate your sustainability in your growth model. One, managing your physical risk. I mean, physical risk is just real. No matter what you think about climate change, the climates are changing every year. Look at the coffee price: that's because there's a drought in Brazil, or there's a problem in Vietnam, so that's real.

They are concerned about that risk; that's a Chief Financial Officer (CFO), Chief Executive Officer (CEO) factor for them, so that is real for them. So, trying to understand how to manage your physical risk, and then again, market access, because you want to be selling, you want as much access as you can, so even if you think of the tariff war going on, that is more reason to have market access. Europe is leading, maybe in terms of deforestation regulation, etc, but the UK, Japan – these markets are asking for a sustainable, traceable product, so you might as well do it, because you have better market access. Then, typically in the investment community, the banks, the bigger banks and you want to issue a green bond, etc, which is lowering your cost of capital. Again, positioning yourself as a sustainability leader gets you there. Those are the perfect borrowers for a company like SAIL. We're going into these supply chains to finance these guys, and create blueprints out of them. We're getting the economic benefit, because they're de-risking us by integrating sustainability properly. You end up shifting that supply chain, because it's hard to change, but if you put some blueprint examples in an industry, the market starts to move that way, because they're leading from an economic perspective.

Laasya Shekaran, Pensions for Purpose: Yeah, and then specifically, thinking about how this links in with the events that you'll be attending in Brazil. How does that work? Is the idea that you talk about and share best practice from what you've done and help to socialise that, or are there specific initiatives or announcements we should be looking at, that help support the kind of work you're doing? How does this actually come together?

Johnny Brom: At PRI, where I'm speaking on a few panels, it's a nice mix of asset owners, GPs and a lot of academics, actually. I'm on a panel with the head of responsible investing for Zurich, and a professor from Harvard and one from LSE, all working in this space on different alliances and providing the academic underpinning for the transition, etc. I don't know about you, Michael, but out of the PRI, I think it's more understanding where the mainstream market is, and the messaging from asset owners will be interesting.

I think it's nice, because it's in Brazil, I'm hoping for quite a Brazilian element to it. The global investors maybe don't understand how important agribusiness in particular is in Brazil. It's 25% of gross domestic product (GDP), it's a huge part of export. So, they have a lot of big players in that country that are global players. They have a lot of investors. They are very creative about how to invest in the agri-space. The reason we keep talking agriculture is just because in Brazil from a climate and nature perspective, agriculture is so critical for that. So, it would be nice if you get some of that scale, the Brazilian scale, into the discussions, so investors start to

understand how can we look to invest in these kind of markets? Brazil, for us, is very interesting.

It's a huge market, there's also very professional actors, and typically, they're a key point in the international trade. I guess out of COP, Michael, the announcements we could expect will be at a government level. There are a few big investment announcements we're expecting, so some governments, Global North governments announcing, and Global South collectively announcing decisions to finance the protection of forests. Normally, those announcements are a lot less than what's needed, but they're a good signal. In other words, there's billions of dollars needed, and the announcements were made might be smaller, but they're more about the signal that they send to the market.

Michael Schlup: Yeah, they send the signals, and then I think coming back to my global trade fair example, it's really about exchanging knowledge and showing what can be done, and examples that have been done, blueprints that have been done. I think for investors, who are increasingly exposed to having to speak about what risk they hold in their portfolio – for example, in regulatory frameworks like the Task Force on Climate-related Financial Disclosures (TCFD) or TNFD, it's important to know how much risk there is, and how could I actually address this risk that I have in my portfolio, because ultimately, it's a systemic risk that nature and climate pose. Nature, for example: 50% of global GDP is dependent on nature.

We ultimately want to do something about it. You already see that food prices are going up. In the UK, in the last three years, every household has paid about £360 more for the same amount of food. A lot of that is actually driven by climate change, and because growing food happens on land, that goes hand-in-hand with nature laws.

Laasya Shekaran, Pensions for Purpose: Can we dig into that statistic? Because I've heard that come up a few times, this idea that half of global GDP depends on nature. How do we come to that statistic, and how do these dependencies actually influence markets, supply chains, investment risk and credit risk in the real world?

Michael Schlup: What you grow on land is dependent on nature. You need soil, you need water and the climate influence is what you grow. As much as we talk about tech and AI, ultimately, we all need to eat every day, and that food is ultimately produced on land, and that land depends on nature. We've had an interesting example in our portfolio. We've just invested in a cashew producer out of Singapore. They want to increase their processing capability, because in these nut mixes that you buy in the supermarket, there's a mix between almonds and cashews. The almonds have become so expensive that they're losing market share for these nut mixes, because the almonds in California are not pollinated anymore, because of too much pesticide being used in agriculture.

So, fewer almonds means you need more cashews. Now, if you need more cashews, that drives the production of cashews, which grow in fruit groves, basically, in Africa. That, again, replaces nature. So what we're financing is this processing capability, but sourcing the cashews then in a way that protects the nature that is still there. It is these global shifts in nature – or nature loss in this case, in California, because the bees are not able to pollinate anymore – which drives changes across the globe. There are big impacts that happen from this, and then climate change activates that, because it changes the areas where cashews can be grown, it changes the rainfall in California.

All of that has an impact, ultimately, because it percolates through the value chain of food. It has an impact on consumer shelves. It makes it more expensive to buy the raw product. It

makes it more expensive for the supermarket to put it on the shelf, and that all makes it more expensive for your consumer, your pensioner, your insurance premium holder, ultimately to buy that food.

Johnny Brom: just to add, because that's very interesting, but if I'm an investor, I'm thinking I need to finance cashews in Africa, and I think Michael's point is important to elaborate a bit on how we do that, because you mentioned credit risk. Food and agriculture is a global supply chain, so the cashew, the person eating the cashew is sitting in London or something. That means that there's the business to consumer (B2C) is a company in the UK. We're financing a Singaporean global trader and processor. We're helping them develop their processing capability in West Africa, and as Michael said, the supply chain is creating value in West Africa, where there are forests to protect, there's nature to protect.

Ultimately, my credit risk is sitting on a company that's well diversified, and it's sitting in Singapore with assets in Singapore, which are much more comfortable for me from a credit perspective. So there is a value in these global supply chains. You can manage, you can structure the deal such to remove a lot of that – I'll call it upstream country risk, credit risk, which is relevant. I mean, coffee is the same, Cocoa is the same. Ultimately, these are small, little farmers, many of them subsistence farmers. We cannot finance that. But these are global industries you and I know about and want to be there in the future, and we don't want our coffee price to go to \$8 a cup of coffee at Starbucks. So, you have to look for the aggregators, the bigger players in those supply chains, who have a sourcing risk, and for them, it's very real, the physical risk.

For example, the Vietnamese coffee company we financed. They're buying from farmers where the yields will go down, because of the impact of climate change, so what do they do? Do they move up into the Central Highlands and start deforesting, or do they create some cover of the coffee tree by planting some trees? It can be very basic, in terms of the tech, to Michael's earlier point, but our investees, our borrower, has to provide that knowledge and integrate that, and then they have, first of all, a loyal supply base.

Also, they've managed their physical risk, so the yields are remaining where they need to be for them to meet their growth. For them also to sell into Europe, for example, and say, 'I'm tracking these guys, they're deforestation-free, they're sustainable farmers.' That, for us, is a real value-add, we can help bring to the company. For them, they're locking in a supply base that they'll get the value of on the customer side.

Michael Schlup: You really create value for them, so your interests are really aligned, because the value creation, them having to source only from 5,000 farms and not going up to 10,000 farms, dramatically reduces their sourcing costs, or keeps their sourcing costs in check. At the same time, they're able to access premium markets. So that's value for them, but that has an impact on our credit risk.

Johnny Brom: I think that's important, Laasya, for investors to think about: that you've got to find where you need to bring value to your investees, your borrowers, in these supply chains to really have a natural capital benefit. It's a very real issue for companies who are operating in ecosystems where there's lots of nature, but they don't necessarily know, and they want partners on, 'how do we manage these risks, what do we do, and what's internationally acceptable?' So, I think that somewhere there, your GP or the investor has to be bringing value as well on the asset side. I think that then you can really create a nice symbiosis.

Laasya Shekaran, Pensions for Purpose: It's really interesting, and I think we forget sometimes in the investment world, where we're in a bit of a bubble, where we forget how connected everything we do is with the real world. You said half of GDP is dependent on nature, but if you think about it, if we have no food to eat, or no clean water, or no coffee. I mean, how can the finance industry function without coffee!? Then, then everything collapses. I want to talk a bit about investment solutions, because a lot of the time when we think about natural capital or investing in nature, we're referring to land-based models, specific projects, but what you've described is a little bit different, where, for example, you've talked about, a Vietnamese coffee company, where you're adding value by thinking about different ways they can approach what they do. How does your approach to financing transformation within those existing companies actually work, and maybe differ from some of those nature solutions we hear about a bit more often?

Johnny Brom: One key thing we keep saying to investors is, when you think about natural capital, it's been where the trend has been. People start thinking about very exotic products, because you go and look, you think of the nature, you think of a rainforest somewhere, and how can I protect that rainforest? Maybe I can structure a carbon credit, or some biodiversity credits. I'm hearing all kinds of crazy stuff. None of that is scalable and really easy for a pension fund to invest in.

From our perspective, straightforward private credit, private equity, so mainly private markets, through the public markets you can obviously do engagement, but through private markets, we can actually get down to the asset phase. From our perspective, we're doing sponsor less, direct lending, senior secured lending to companies like the Vietnamese coffee company, but what we're doing is, we're saying: first of all, we're going to the right place, where companies who are operating in supply chains, where there's a real ecosystem in nature that needs protecting and regenerating.

That's very important, so that's top-down macro, but then it's really doing a bottom-up deal with a corporate; as we all understand, if it's got a credit rating, we can assess it, we can provide a loan, but then we're creating a value creation plan with that corporate, with that company. Let's take the coffee example. We're saying, 'this is what you need to do to manage your physical risk to give you market access. There's a bunch of things you have to do. For example, engaging the small farmers and making sure they're deforestation-free.' You've got the benefit, you can access Europe, but I'm getting the benefit that I'm doing a deal where I'm protecting nature.

We put those as the key targets and milestones as covenants in our transactions, so everybody knows how covenants work. We have financial covenants; we also have sustainability covenants, which are hard. To do that kind of work takes time. You've got to really do proper due diligence, you've got to map these things, you've got to have satellite mapping. We have a Geographic Information Systems (GIS) expert in-house. So, you've got to do that. But then I'm suddenly creating a direct lending fund, which is giving real natural capital benefits, because we can track them and our monitoring, and reporting on them is very good so you can do it in more traditional asset classes.

I think if you start moving into very exotic stuff, it's very hard for institutional investors to understand how that can be scalable. Whereas understanding what a credit profile, double loan, giving me 10%, senior secured, this is that we can all understand. The key part that we add on to that, is that whole Sustainable Value Creation Plan (SVCP), which is a covenant, because as a debt investor, covenants is our tool. We're trying to manage risk, we're not looking at upsides, so to speak, but that works when you're adding real value at the borrower's face, if

you will. So we need real engagement with them. We find these deals ourselves, we build the trust with them ourselves. I think that's quite important.

Michael Schlup: It's where we change behaviour, ultimately, through the SVCP, and that is also what sometimes takes time, to find where can we actually create value for the borrower. Once the borrower sees how value can be created, there's very good alignment, which is certainly different from just prescribing certain sustainability requirements that people then have to comply with in order to be financed. But, in our case, they want to do this, because they see the value at the end of the project.

Johnny Brom: They actually pay us for that in a way. So, for us, that's the benefit we have. We say to investors, we can get an origination premium, sustainability premium, consider what you want in our financing, because they see the value, they want us on board. We say, 'We're really going to engage and be supportive of you for the long-term, so that you need to pay for that, if you will'. Then as they implement this, they're de-risking us, because they're making their business more resilient. In that sense, sustainability for us is a credit factor. It's not a separate thing, where Michael's team comes in and looks at the assets separately. They're in the deal team, they're in the front office, because they're really adding value to my credit team as well, in terms of the unknown borrower.

Michael Schlup: Yes, and at the end of it, we can obviously measure our impact very easily. The traditional impact type of measurement is very simple for us, because we know the company, we have direct access to the data, we know where they are. We're geo-tracking their areas of production. So for us, it's very easy to then generate primary data that is real. Then, push that out into regulatory frameworks like TCFD, TNFD. We've done our first TNFD/TCFD combined report, highlighting how climate and nature is very closely aligned this year. It's easy for us; we can report into anything, so to speak, so data availability is not a problem for us. It's more a question of how do we translate that into what our investors or what the regulator wants.

Laasya Shekaran, Pensions for Purpose: Brilliant. How do we take all these examples of the work you're doing and scale this up for real systems transformation? What would it take for the investment community to actually mobilise capital at the scale it's needed to save the world to a certain extent, and do you think this is going to happen? Do you have optimism about it?

Johnny Brom: I'm very optimistic, because I just see value. So, purely from a risk-return perspective, I think we're on to something here. I think others can copy, and can do this as well. It does take a mind shift for you to think of sustainability as front office function, as a value-add to your credit process, but honestly, for us, we're pretty positive. We think, even at a couple of billion assets under management, large investors will find this interesting and can scale across their profile. Our approach is now focused on food and agriculture; that's where we started. We can take this to many other sectors, just simply because it's more of a mindset of, how do you go into an industry and actually engage your underlying investee and help them shift their business to create medium- and long-term value? Also, if you just think about it, it's a better borrower or investee if they're thinking like that.

I think, for us, definitely, it's scalable, but you need to stick to traditional asset classes, private credit, private equity, in particular. So the private markets is the easiest lever to get this moving, and then you can look beyond. I just think as soon as there's a lot of smoke and mirrors and noise about all kinds of exotic things. I don't think you've got to do the engagements. In your original comment, you said changing humans is hard. That's the part we should focus on. Ultimately, the people here are not so unique. Our approach is just to actually go into the

Vietnamese coffee player, and bring value and discuss how do we transition, how do we create value? And then I'm giving you non-dilutive capital, so it makes sense for them. I'm pretty confident. I think if I hear from investors, asset owners, that's what makes me confident, Michael. A lot of asset owners in Europe and the UK in particular, and Japan, even in the US as well, are saying they're trying to figure it out.

We got a bit caught on metrics, I think, a few years ago. I think they're getting beyond the need to measure everything. A kilometre of rainforest is valuable, we know that. I think they're moving now to the point where they're telling their consultants, their advisors, find me ways to implement national capital solutions, so that gives me a lot of confidence. We as the GPs, and I'm talking more broadly, because SAIL is just one part of this. We need to come up with solutions, but I think the questions are coming, which is good. I'm pretty confident that by 2030, we get traction, and by 2035, it'll be a larger space, much larger.

Laasya Shekaran, Pensions for Purpose: Brilliant, I love being able to end these conversations on an optimistic and positive note. Sometimes when you look at the world around us, it doesn't feel so optimistic, but I think what's been really clear from this conversation to me is that, even when you have rollbacks or changes in views around climate change, if you have a really strong economic case, which you do, and we've explained well during this discussion, things are still going to progress forward. I think that's really positive, and I'm excited to hear more about how everything goes in Brazil in a couple of weeks' time.

Before we close off this episode, I'd like to ask, what's one thing you'd want our listeners to take away. Michael, I could come to you first and ask what's one thing you'd want listeners to take away from this discussion?

Michael Schlup: Yeah, sure. When it comes to climate and nature, where I very much agree with Bill Gates, that it's not all doom and gloom. Solutions exist, blueprints exist. I think depending on where you sit: if you're a government, if you're a non-governmental organisation (NGO), if you're a private individual or if you're a pension fund or an insurance company, solutions exist, and these solutions are becoming more tested, and more ready to roll out, so we just have to do it. I think that's the main thing, and I think we shouldn't be coming back to this discussion around COP. I think we shouldn't be put off if the result of this COP is less than we may expect, and less than the noise around it may make you expect. I think there's a lot happening in the real world that is good, and that is taking us towards the right direction.

Laasya Shekaran, Pensions for Purpose: Brilliant, and same question for you, Johnny. What's one thing you'd want our listeners to take away?

Johnny Brom: To invest in nature, you do not have to give up any value on the risk-return spectrum. I think that's the incorrect way of thinking about it, but you need to start. I really don't think you need to give anything up, so that's the wrong way of thinking about it, because that's not scalable. If you have to give up, you can't scale. However, you do need to start. Enough with the talking. I think investors should start investing in the space. There are solutions and opportunities out there, because that's how you learn. We all know that. I do think beneficiaries, and more broadly humanity, is asking for the green flag to say, 'we can invest in the space.' I don't think you have the green flag to invest in things, where the risk-return is not acceptable. So, you don't need to. It's not the right way of thinking about it if you think you need to give up these factors, take undue investment risk to protect nature. I don't think that's the case. I think nature drives your returns in more ways than you realise.

Laasya Shekaran, Pensions for Purpose: Brilliant, I love that. Thank you both so much for joining us today. It's been a really helpful and fascinating discussion.

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