

# "The Selfless Economy"

June 2020



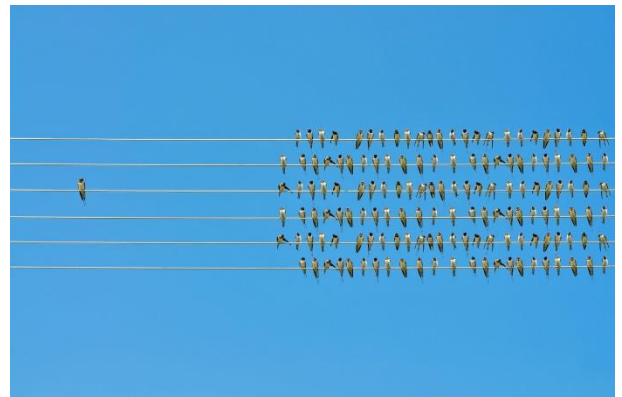
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This blog by Karen Shackleton is part of a weekly series from the Pensions for Purpose team.

A few weeks ago, I wrote a blog about the importance of integrity in the current environment. This was one of the Nolan principles of public life which included selflessness, integrity, objectivity, accountability, openness, honesty, and leadership. Today, I'd like to focus on another of these principles: selflessness.

I've been mulling over whether a selfless economy can survive, or even thrive, alongside a market economy... and asking myself, can a pension fund invest in a selfless economy whilst still delivering market-rate, risk-adjusted returns to their members? (Credit to my husband here, for his patience and willingness to engage in a long-winded discussion on this, over the weekend!) The answer, I believe, is yes.

The definition of selflessness, according to the Nolan principles, is that holders of public office should act solely in terms of the public interest. For a local authority, that clearly makes a lot of sense. But what might it mean for a corporation? Listed companies have traditionally focused on delivering to their shareholders, and whilst the majority do this in a relatively responsible way, profit is, and remains, their main goal in a market economy. Yet a growing number of companies – particularly those in the impact investment space – are turning to [B Corp](#) certification in order to demonstrate their willingness to consider other stakeholders, as well.



Certified B Corporations balance purpose and profit. They balance the impact of their decisions on their staff, clients, suppliers, the local community and the environment, as well as their shareholders. According to B Lab who provide the certification, there are now more than 3,000 certified companies around the world, in 71 countries, and across 150 industries. B Lab's website states that the B Corp community "works toward reduced inequality, lower levels of poverty, a healthier environment, stronger communities, and the creation of more high-quality jobs with dignity and purpose. By harnessing the power of business, **B Corps use profits and growth as a means to a greater end: positive impact for their employees, communities, and the environment.**" The result benefits all stakeholders, not just shareholders.

To become a certified company, a firm must undergo a rigorous assessment. Transparency is a key requirement, and the firm must have a clear social mission. I am the non-executive Chair of Resonance Ltd, an impact manager, and I remember the incredibly robust process facing the team, to achieve their certification. This is most certainly NOT a box-ticking exercise.

What does this have to do with a pension fund? Let's assume for a minute that B Corp certification "goes mainstream". At that point, pension funds could invest in a portfolio of companies that were **independently certified** as balancing profit with purpose. That's certainly knocking impact-washing on the head, isn't it?

But would this portfolio necessarily perform less favourably than those operating in the market economy, focusing purely on profit? Personally, I think there are arguments to support the theory that B Corp certification will, ultimately, deliver long-term outperformance compared with non-certified companies. This is because sustainability is at the heart of what they do. As a minimum, I certainly think it would be possible for them to perform in line with their peers. But I'd love to know if anyone has done any research on how B Corp certified firms have performed relative to their peers in their sector, so please do get in touch if you have any data that you might be able to share.

At present, the majority of B Corp certified companies are small, niche, unlisted firms, but Danone is an example of a multi-national company, already owning several B Corp-certified subsidiaries, who are working towards certification for their entire company – no mean feat for a company of their size. My hope is that others might follow.

In the meantime, I'd encourage pension funds to think about the value of B Corp certification, and to recognise this when selecting an asset manager for a sustainable or impactful investment portfolio. After all, these are the firms who are at the heart of The Selfless Economy.

Karen Shackleton

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