





**Introduction and agenda**

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- ▶ Doing well, doing good?
- ▶ The social economy within an ecological and social framework
- ▶ 10 years on from the GFC...
- ▶ Reimagining capitalism – looking beyond financial capital
- ▶ The role of purpose and impact in (sustainable) finance



## Key concepts

**SOCIAL BUSINESS**  
legal forms

**BLENDED VALUE**  
integrated capital

**BLENDED FINANCE**

**FINANCE THEORY**  
Intentional impact  
alongside risk and return

The role of **PURPOSE**  
in legal frameworks,  
corporate governance,  
regulation and accounting

Link between  
**PURPOSE**  
**IMPACT**  
**PERFORMANCE**

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## Australian socio-economic system

### SIZE

GPD  
**\$1.69 trillion** (2017)  
Government spend  
**\$488 billion**  
estimated spend (2018-19)

### PEOPLE ENGAGED

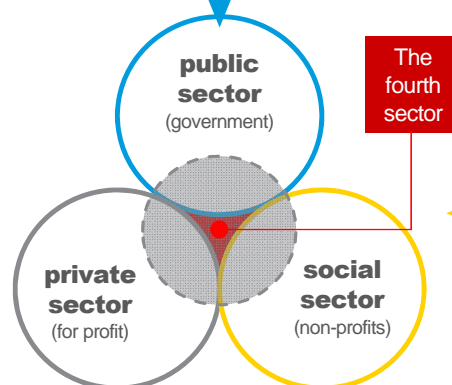
**1,987,000**  
public servants with a  
total wage budget of  
**159 billion**

### SIZE

Approximately  
**\$1.25 trillion** (2017)

### PEOPLE ENGAGED

**2,240,000**  
Australian Businesses employing  
**9,400,000** employees



### SIZE

GPD  
**\$142.8 billion**  
in annual spend (2016)

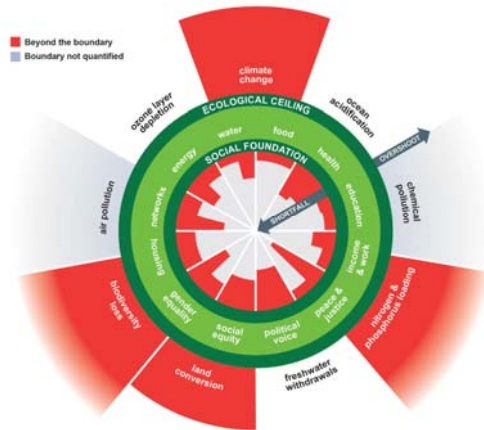
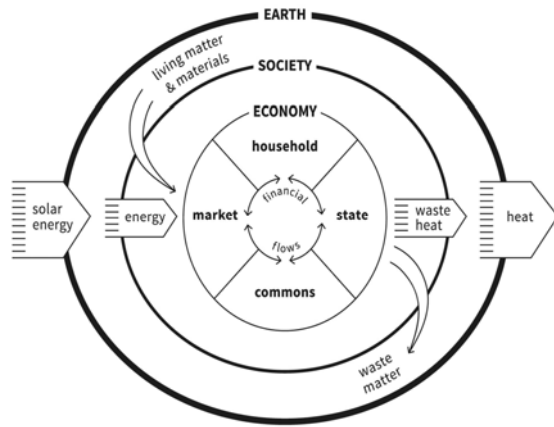
### PEOPLE ENGAGED

**1.3 million**  
employees (2016)  
**2.3 million**  
volunteers (2016)

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## Socio-economic context – the 'Embedded Economy'



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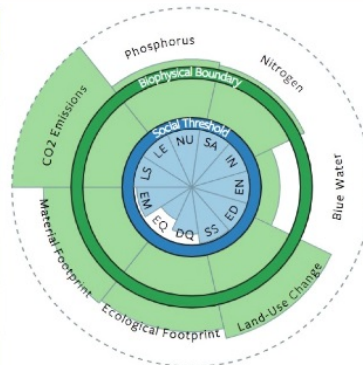
Source: Kate Raworth

## Argentina's National Doughnut

UNIVERSITY OF LEEDS

A Good Life For All Within Planetary Boundaries

Biophysical indicator	Unit	Boundary, per capita	ARG
CO <sub>2</sub> emissions	T / yr	1.6	5.3
Phosphorus use	Kg / yr	0.9	1.1
Nitrogen use	Kg / yr	8.9	10
Blue water consumption	M <sup>3</sup> / yr	574	276
Land-use change	eHANPP T / yr	2.6	4.9
Ecological footprint	Global Ha/ yr	1.7	2.8
Material footprint	T / yr	7.2	12.3



Social indicator	Unit	Threshold	ARG
Life satisfaction	Cantril scale 0-10	6.5	6.8
Healthy Life Expt.	Years	65	67
Nutrition	Kcal/day	2700	3155
Sanitation	% access	95	96.3
Income	% over \$1.90	95	98.3
Energy access	% access	95	99.8
Education	% 2 <sup>nd</sup> -4 <sup>th</sup> enrollment	95	103.6
Social support	% friends to depend on	90	88.9
Democratic quality	Democ Qual Index	0.8	0.2
Equality	Gini	70	55.6
Employment	% LF employed	94	92.8

UNIVERSITY OF LEEDS DOUGHNUT ECONOMICS OXFAM MCC E.S.R.C. ENVIRONMENTAL ECONOMICS

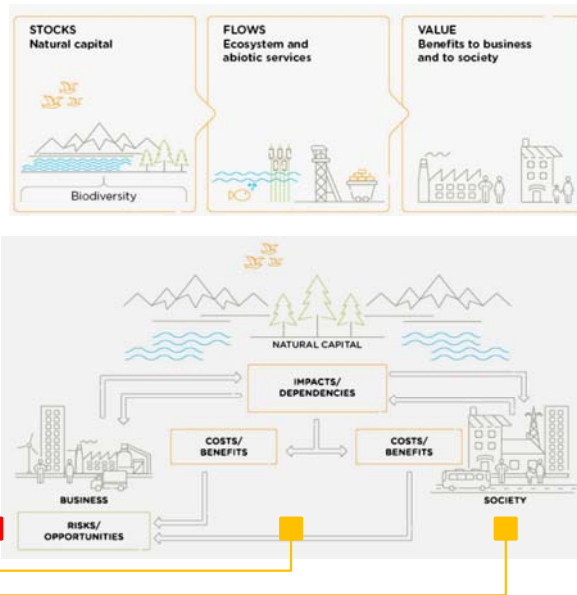
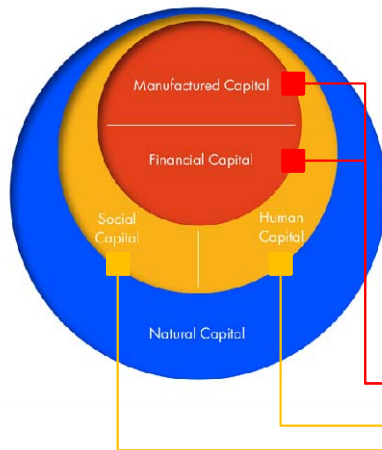
goodlife.leeds.ac.uk

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Source: Kate Raworth



## Capital ecosystem Beyond financial capital



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Source: Forum for the Future and the Natural Capital Coalition

## 10 years on from the GFC

### HOW DID WE GET HERE?

**7.7 billion**  
people

**200 years**  
of industrial  
development

**Stretching  
ecological  
limits**

**Institutional  
failures**

**Inter-  
generational  
issues**

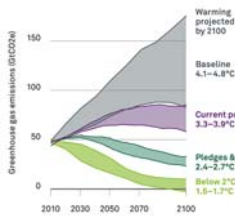
**Growing  
inequality**

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## Current predicament 200 YEARS IN THE MAKING

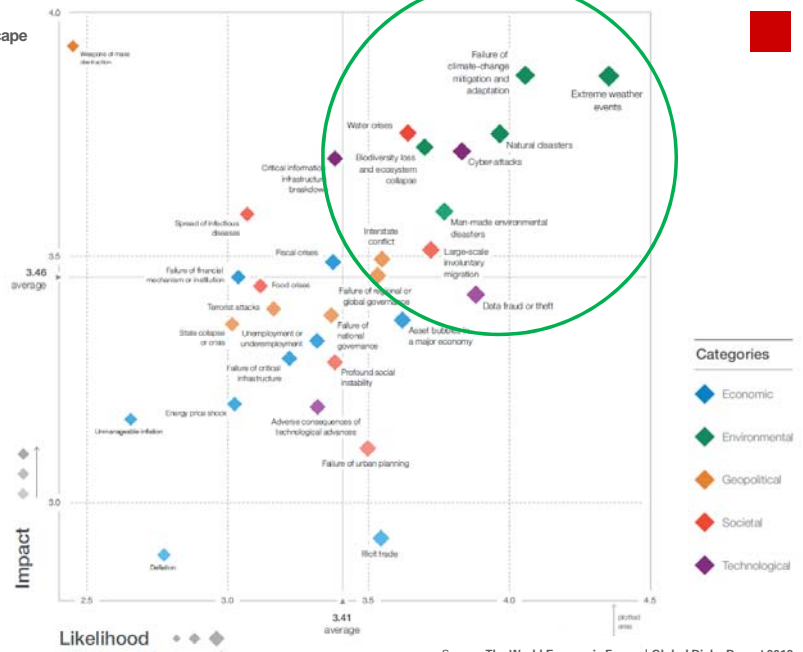
Potential climate pathways to 2100



Source: Black Rock Investment Institute, Sept 2016

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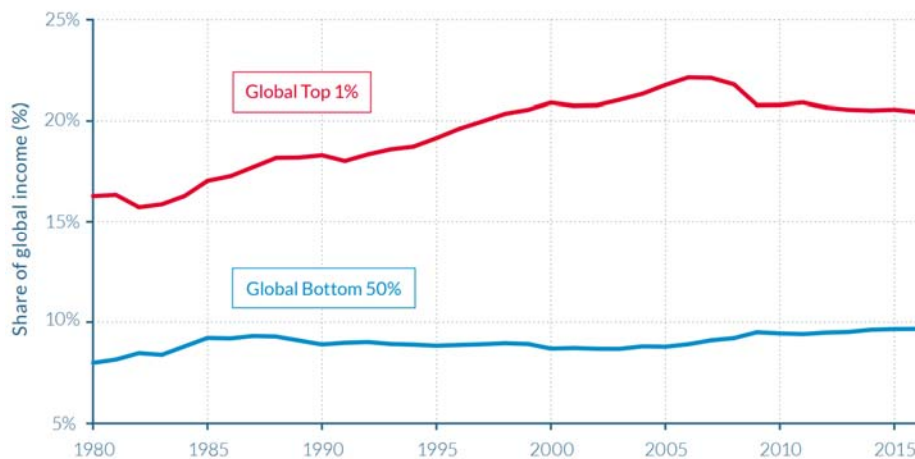
The Global  
Risks Landscape  
2019



Source: The World Economic Forum | Global Risks Report 2019

## Growing global inequality

The rise of the global top 1% versus the stagnation of the global bottom 50%, 1980-2016



Source: WID.world (2017). See [wir2018.wid.world](http://wir2018.wid.world) for data series and notes.

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Source: World Inequality Report 2018



## Fragmenting societies – weakening of the social glue?

'Restore public trust in banking'

Only a new banking culture will rebuild our trust

IT'S NOW DOWN TO  
WHO WE CAN BANK ON

THEY TOOK MORE THAN CASH  
— THEY STOLE OUR TRUST

Adviser rankings aim to restore trust

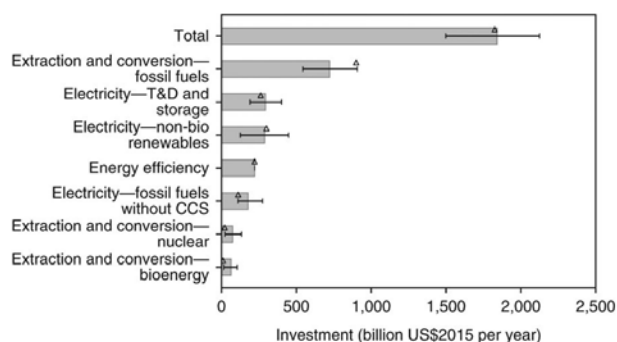
Fake news on singer's death  
sad indictment of media

What the banks must do to regain our trust

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## Extent of the technical and financing challenge

Fig. 1: Global energy investments by category in 2015.  
From: Energy investment needs for fulfilling the Paris Agreement and achieving the Sustainable Development Goals



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## 6 MILESTONES BY 2020 TO MEET SDGS BY 2030 2050 : NET ZERO



Source: NatureResearch



## The purpose of capital

### The weight of financial capital

- Responsible investment
- Sustainable finance
- Social business

### Blended value and mainstreaming 'Purpose' and 'Impact'

### One pocket thinking?

### Lessons from the mission (NFP) sector

### (Re-emergence) of social enterprise

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Source: NEMA Currents

## Forget the Politics, the money is moving

### UNITED STATES

#### EQUITY MARKET

**30** trillion

#### BOND MARKET

**20** trillion

#### PHILANTHROPY

**890** billion  
(90,000 foundations)

### GLOBAL

#### EQUITY MARKET

**70** trillion

#### BOND MARKET

**90** trillion

#### PHILANTHROPY

**2** trillion  
(260,000 foundations)

### AUSTRALIA

#### EQUITY MARKET

**2** trillion

#### BOND MARKET

**1.5** trillion

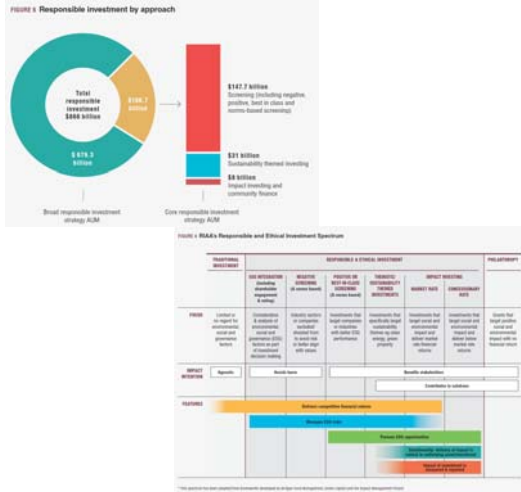
#### PHILANTHROPY

**8.7** billion  
(5,000 foundations)

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## Capital for purpose – Responsible investment

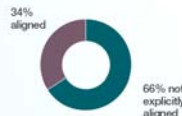


Source: Responsible Investment Association Australia 2018 report

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### Sustainable Bonds Insight

The green, social and sustainability bonds aligned with the Sustainable Development Goals amounted to \$70,238.6 M in 2018. 34% of green, social and sustainability issuances explicitly align with the Sustainable Development Goals. The three most covered SDGs are SDG11 (Sustainable cities and communities), SDG7 (Affordable and clean energy) and SDG13 (Climate action).



Methodology: Bonds that have been included in the insights are those that have indicated that they contribute to one or more of the Sustainable Development Goals (SDGs) in their prospectus or offering documents. The figure represents the weighted value of the bonds that align with each SDG. Bonds have been included that they align with more than one SDG.

### Sustainable Development Goals across the three markets combined



Source: Environmental Finance: Sustainable Bonds Insight 2019

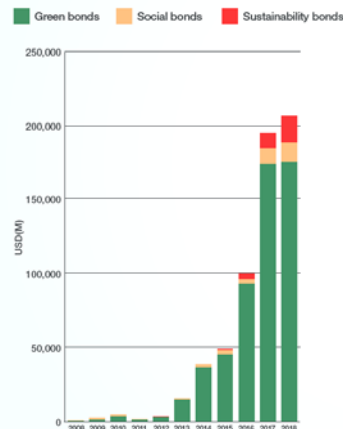
## Capital for purpose Sustainable finance global / Australian market



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### Cumulative issuances in the green, social and sustainability bond markets

The share of the sustainability and social bond market has increased significantly in the recent years.



### Sustainable Bonds Insight

Impact reports across the green, social and sustainability bond markets:

#### Green bonds:

**79.4%** of issuers in 2017 whose bonds aligned with ICMA Green Bond Principles 2017 have released an impact report in 2018.

#### Social bonds:

**93.3%** of issuers in 2017 have released an impact report in 2018.

#### Sustainability bonds:

**85%** of issuers in 2017 have released an impact report in 2018.



## Capital for purpose

Business structures  
Social Enterprise  
and B Corps

## THE SPECTRUM

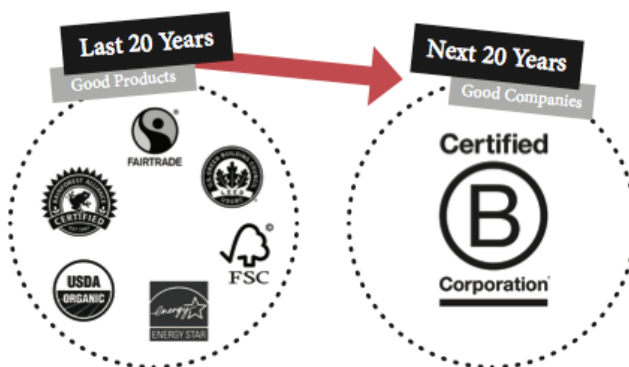
Where Social Enterprise Fits



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Source: Social Traders

## B LAB and B Corp movement



“ B Corp is to business what Fair Trade certification is to coffee or USDA Organic certification is to milk. B Corps are for-profit companies certified by the nonprofit B Lab to meet rigorous standards of social and environmental performance, accountability, and transparency. ”

[www.bcorporation.net](http://www.bcorporation.net)

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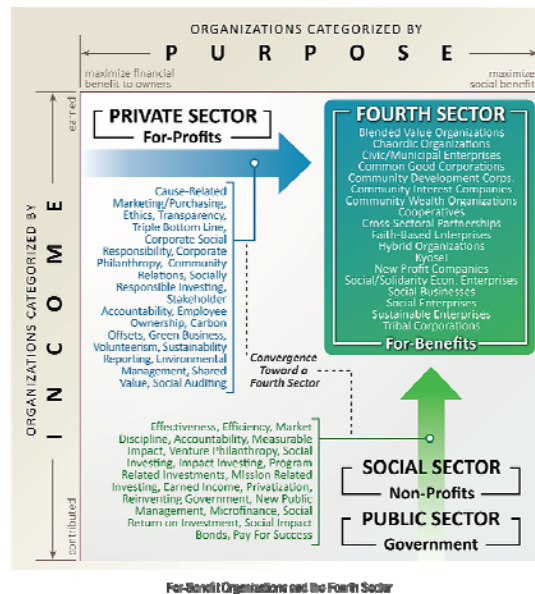
Source: TriplePundit

Source: Bcorporation.net



## Where are we now?

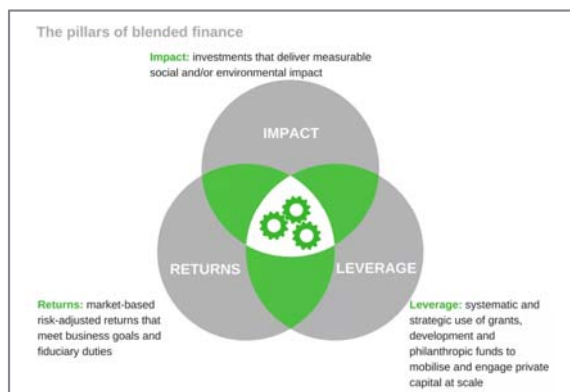
Emerging  
'Fourth Sector'  
Purpose or  
Benefit companies



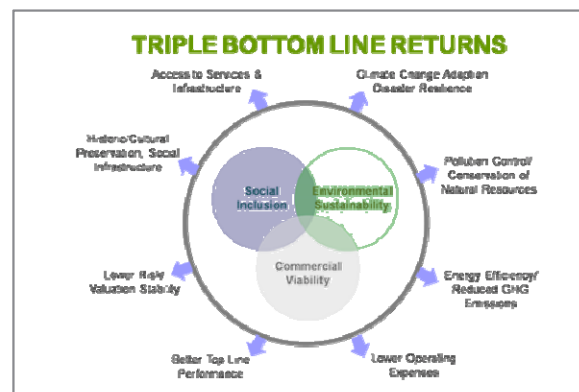
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Source: Fourth Sector Group

## Impact and Blended Value



Source: Impact Investing Hub



Source: Smart Cities Advisors



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Source: Impact Investing Hub



## Purposeful companies, laws and regulations

### Putting the WHY at the centre

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- The Company's story ('cum panis' – 'breaking bread')
- Our most important invention?
- Paradigm shift from 'SHAREHOLDER PRIMACY' to 'PURPOSE PRIMACY' (our 'Copernican revolution')
- Legal framework – the Company as a COMMITMENT device around PURPOSE
- Corporate purpose – finding the WHY (Simon Sinek)
- Corporate governance and fiduciary duty to achieve purpose
- Purposeful regulation
- Accounting and 'capital maintenance'

## Link between purpose and performance

### Keep the best people



**3x**

more likely that employees will stay at a Purpose-led company<sup>1</sup>

### Better attract, retain and engage clients



**89%**

of consumers believe a Purpose-driven company will deliver the highest quality products/services<sup>3</sup>

### Resulting in enhanced financial performance



**10x**

Purpose-led companies outperformed the S&P 500 by 10 times between 1996 and 2011<sup>4</sup>

### Enable transformation



**84%**

of transformations are more successful if they are integrated with a Purpose<sup>2</sup>



**72%**

of consumers would recommend a company with a Purpose, a 39% increase from 2008<sup>5</sup>



**120%**

'Meaningful brands' connected to human well-being outperformed the stock market by 120% in 2013<sup>5</sup>

Source: 1. The Energy Project, What is Your Quality of Life at Work, 2013.  
2. HBR, The Business Case for Purpose, 2015.  
3. EY, The Good Purpose Study, 2013.  
4. Raj Ganesha, Firms of Endearment, 2007.  
5. HBR, Meaningful Brands Index, 2013.

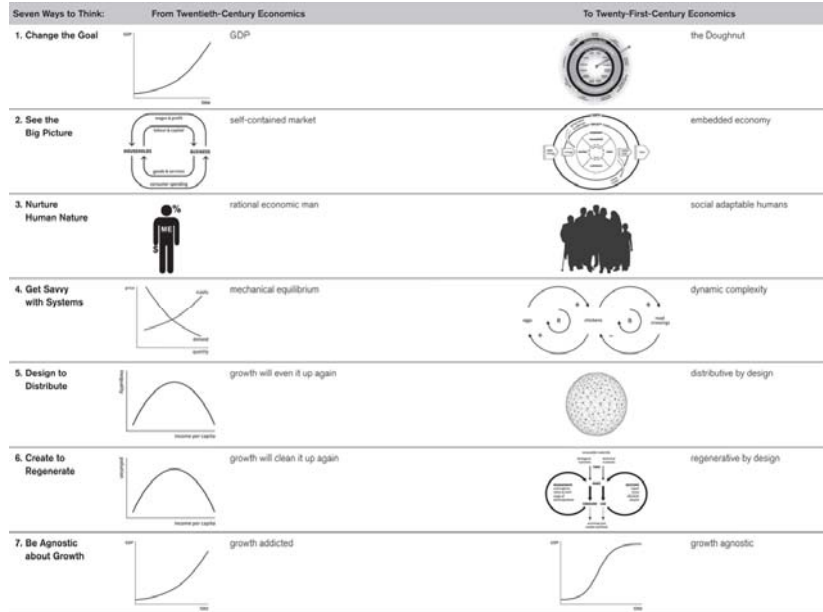
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Source: EY



Doing well,  
whilst doing  
good ...  
while we're  
at it

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Source: Kate Raworth

## Conclusions and Implications

WHERE TO  
FROM HERE?



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Source: Yale Centre for Business and the Environment



# Questions?

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## Contacts



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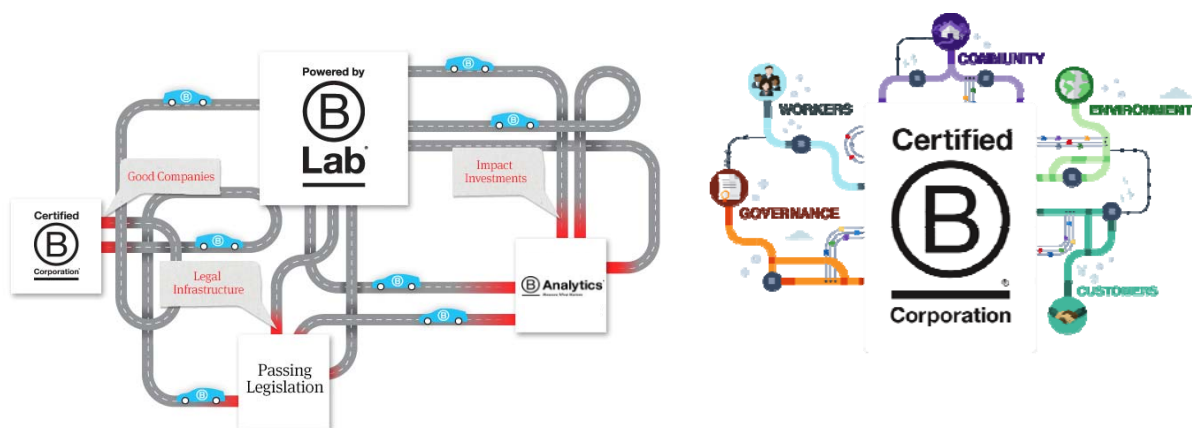
EMAIL [keith.rovers@minterellison.com](mailto:keith.rovers@minterellison.com)

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## B Lab v B Corp



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## B Corps



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B Corps are  
Improving the  
Quality of Life in  
their Community.

Compared to other sustainable businesses B Corps are:



B Corps are  
4X more likely to  
give paid professional  
development opportunities

B Corps Create  
Higher Quality Jobs  
for their Workers.

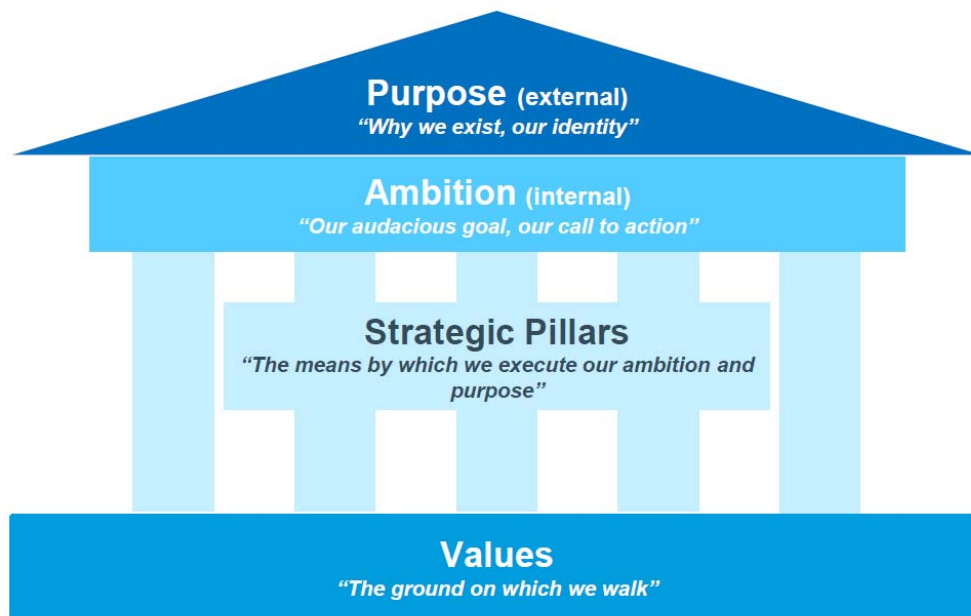
Compared to other sustainable businesses B Corps are:



B Corps are  
2.5X more likely to  
give employees at least 20 hrs per  
year paid time off to volunteer in  
their community

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## Purposeful companies



Re-imagining mining to improve people's lives.



To help unleash the potential of every team through open work.



We invent smarter ways to bring energy to the world.



To help more and more people invest in their financial well-being.



Patagonia is in business to save our home planet.



We inspire, educate and outfit for a lifetime of outdoor adventure and stewardship.



We invent the future of flight, lift people up and bring them home safely.



To inspire people to think differently.



To use the power of sport to move the world forward.



Building a better working world.



To connect people to what's important in their lives.



To accelerate the world's transition to sustainable energy.



To make sustainable living commonplace.



To facilitate the financial security of our members.



Save people money so they can live better.

Source: EY

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## BUSINESS ENTITY COMPARISON



TYPE OF COMPANY	C-CORPORATION (US)	B-CORPORATION (BENEFIT CORPORATION)	CIC (COMMUNITY INTEREST COMPANY)	CHARITY (CC19)	NON-PROFIT (501C3)
Country	US	US (only certain states)	UK	UK	US
Year	1909 (created) 2002 (current structure)	2005	1984 (created) 2005 (current structure)	1853 (created) 2006 (current structure)	1954
Dividends Cap	NO MAX	NO MAX	20% Dividend payouts; 35% profit distribution max	NO MAX if taxed as LTD	NO PAYOUTS; However, no cap on salaries of directors
Tax Breaks/ Incentives	YES	YES	NO; but has tax relief	YES	YES
Tax Entity	C-Corporation; subject to double-taxation	Either as S-Corp or C-corp with same tax breaks/credits	200% Tax Refund if classified as a SME (small/medium enterprise); R&D Tax Refund	Can have a LTD structure	Tax exempt; eligible for grants and tax-deductible donations from corporations and other sponsors
3rd Party Annual Audit	YES- for public companies	NO	NO- but has to make Annual report available to the public	NO- but has to make Annual report available to the public	NO- but has to make Annual report available to the public
Advantages	Limited liabilities for directors, officers, shareholders, and employees	Reduced liabilities for Directors when making financing & liquidity decisions. Directors cannot be sued by 3rd parties (eg. environmental, workers rights, or other activist groups); Shareholders cannot sue Directors for financial performance	Directors have a paid salary as opposed to in a UK Charity. Also no trustee or trustee control; less regulation than in a UK Charity; legal protection from demutualisation and windfall profits being paid to Directors and Members	Stringent financial reporting and voluntary nature of Directors make it relatively free from corruption although funding from corporate sponsorships can influence company directives	Directors have paid salary; limited liabilities for directors, officers and employees
Disadvantages	Directors subject to lawsuits from shareholders if decisions made are not in financial interests of the company	Potentially set the path for abuse of power by Directors in regards to shareholder interests	Max cap on dividends could depress demand from investors	Legal identity is the same as members/ Directors; Directors are voluntary positions	Major fundings come from Corporate sponsorships; therefore directives may be biased in favour of sponsors
Raising Capital	Attractive to investors	Attractive to investors	Not attractive to investors	5-25% Tax relief to individual sponsors or treated as business expenses for corporate sponsors	Tax deduction of up to 50% of gross income for individuals (and excess carried up to 5 years)

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Source: Environmental Finance: Global Founders

## SUSTAINABLE DEVELOPMENT GOALS





## Climate change group: sustainability risk governance

Globally-recognised team of climate change and sustainability governance specialists examining environmental risk issues through a corporate and securities law lens. Multi-disciplinary insights across science, economics, finance and commercial law, combined with practical experience across audit and board governance functions. Advice is relevant, practical and actionable.



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- Working internationally with institutions from the Bank of England, European Commission and OECD to the Universities of Oxford and Cambridge. Clients range from ASX-listed resources, banking, insurance infrastructure and development companies to leading professional services firms and Commonwealth, State and local government agencies.
- Instructing solicitors on the brief to Mr Noel Hutley SC that is widely cited as the authoritative exposition on directors' duties with regard to climate change risk in Australia (including by APRA and ASIC).
- Specialising in climate change-related finance risk assessment, assurance and disclosure, including:
  - Climate litigation risk exposures
  - Fiduciary and directors' duties
  - Climate risk and legal disclosure requirements under relevant securities and reporting laws
  - Disclosure due diligence and assurance, from statements of information to annual directors' reports
  - Operational oversight and board due diligence assurance
  - Climate-related financial risk briefings for preparers, directors and auditors











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## The climate risk reporting journey: a corporate governance primer

MinterEllison, CPD and CCLI



## Social Enterprise Credentials

Client	Role
	Member of <b>Westpac Foundation's</b> evaluation panel for Social Change Fellows and co-designed and deliver the Westpac / ME Board Observership Program providing Board observations to Westpac supported social enterprise. Advise many of Westpac Foundation's scale up grant winners – not for profit social enterprises providing supported employment pathways, including <b>Vanguard Laundry</b> (mental health), <b>Good Cycles</b> (long term unemployed), <b>Gogo Events</b> (long term unemployed), <b>Muru Mitiga</b> (indigenous business), <b>Small Shirts</b> (people experiencing barriers to employment), <b>Soft Landing</b> (various cohorts), <b>Djilpin Arts and APY Arts Collective Centres</b> (indigenous artist communities), <b>YMCA Rebuild</b> (ex-prisoners) and others.
	Working with <b>Social Traders</b> on its social enterprise certification regime for social enterprises to access buyer network market opportunities, as well as advice to Leads, Deals & Strategy clients, including <b>Ability Works</b> . Assisting Social Traders with strategic business advice.
	Advising <b>SVA</b> and its client Mind on the financing of specialist disability accommodation ( <b>SDA</b> ) projects under the National Disability Insurance Scheme.
	Working with <b>Optus Future Makers</b> Accelerator Program. Advised Optus Future Makers' Virtual Psychologist, a for profit 24/7 counselling service using an innovative text based platform providing employee assistance programs, domestic violence and rural and regional counselling services.
	Advising a number of <b>YGAP's</b> social enterprise incubator program graduates, such as <b>Shirra</b> (women's health resources), <b>Unbound</b> (inbound and outbound education opportunities with domestic and international universities), <b>Food for Change</b> (managing food waste and carbon and water footprints) and <b>Goodwill Wines</b> (a for profit social enterprise).
	Establishment of supported/independent living co-op ( <b>SILC</b> ) as an incubator of family co-ops for SDA projects.
	Advised <b>Vanguard Laundry Project</b> , the Social Trader's 2016 Capital for Impact award winning project (with SVA as principal advisor), an industrial laundry located in Toowoomba, Qld servicing the local St Vincent's Hospital and other commercial clients and providing training and supported employment pathways for people with long term mental health issues.
	Advising <b>White Box Enterprises</b> , a social enterprise incubator, including <b>The Good Hotel</b> project (social enterprise hotel operation) and REIT running training hotel providing employment opportunities with hotel management and hospitality to refugees and migrants.
	Advising <b>Fighting Chance's Jigsaw</b> Digitalisation Services to provide supported employment pathways at award wages to people with disability in the data and document storage sector.
	Advising <b>Community Resources'</b> social enterprises, including <b>Green Connect</b> , <b>Soft Landing</b> and <b>Waist Aid Australia</b> . <b>Soft Landing</b> runs a product stewardship program in mattress recycling and employs people from several disadvantaged cohorts. Acting on its recent M&A transactions, including <b>Green Connect</b> and <b>TTC</b> joint venture separation and acquisition, as well as social franchising expansion into South Australia. Advising <b>Waist Aid</b> in relation to its remote indigenous trainee and job programs with corporate partners.
	Advised <b>Green Connect</b> on outcomes based contracts with Dept of Industry for Youth Employment Innovation Challenge program to create youth employment pathways in regional NSW.
	Assisted with the establishment of the social enterprise <b>Gogo Event's</b> Foundation, running a for profit events management business, with the Foundation providing training and supported employment pathways into Gogo Events and third parties events businesses.

Client	Role
	Advised <b>UnitingCare Queensland</b> SBB in respect of facilities relating to its NEWPN programme (QLD's first social impact bond) undertaken in conjunction with Queensland Treasury dealing with family restoration.
	Advised <b>Churches of Christ Queensland</b> in respect of Queensland's second social impact bond addressing youth homelessness.
	Assisting <b>First Australians Capital</b> on development of a SIB to create an enterprise hub to promote development of indigenous enterprise in Hunter, Newcastle and other regions (currently under RFP).
	Working with <b>Hedge Fund Rocks</b> and its <b>Alternative Future Fund</b> , a Public Ancillary Fund to provide a philanthropic funding and investing platform for the hedge fund industry, including through work place giving.
	Assisted with establishment of <b>Enable</b> and <b>Enable+</b> , an ACNC registered online donation platform and for-profit B Corp on all aspects of its business, including Public Ancillary Fund establishment, company structure and shareholders arrangements, capital raising and debt funding; platform development and support; IT contracting and services; and Australian Charities and Not-for-profits Commission and deductible gift recipient status.
	Working with <b>Grameen Australia</b> to establish sustainable microfinance business in Australia.
	Advising <b>The Butterfly Foundation</b> in relation to a joint venture with EndED for the development of a residential eating disorder clinic in SE Queensland.
	Advised <b>Mission Australia</b> and <b>Salvo's</b> on NSW Department of Family & Community Services Phase 1 and 2 Social and Affordable Housing PPPs respectively and Mission Australia on Social Housing Management Transfer and on its fundraising program documents.
	Advised <b>Adara Group</b> , in relation to the AFS licensing aspects of <b>Adara Partners</b> , a for-purpose boutique corporate advisory practice. This vehicle donates its profits to provide a sustainable funding source to <b>Adara Development</b> , the international ad business delivering health and education programs in Nepal and Uganda.
	Advised <b>ATEC</b> regarding carbon credit financing of green product (biodegesters) rollout in Cambodia.
	Assisted <b>Shirra</b> with the establishment of a corporate platform for multi-lingual medical information and education for refugees.
	Advising for profit social enterprise <b>Goodwill Wines</b> to establish a philanthropic funding vehicle with portion of sales revenue donated to customer selected charities.
	Advising <b>NESA Indigenous Solutions</b> on the establishment of an indigenous enterprise providing Remote Jobs Communities Programs, Mental Health and School Attendance programs across Australia under contracts with Dept of Prime Minister & Cabinet. This involves addressing a range of impediments to engagement and capacity building for indigenous enterprises as part of broader social procurement.
	Establishing and advising <b>Sea Mercy Australia</b> an organisation providing disaster relief in the South Pacific, providing medical services to remote islands, as well as partnering with social enterprise to develop sustainable agriculture and trade.

## Further reading

