

# Is capitalism just?



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**Martin Whittaker**

CEO, Just Capital

Interviewed by

**Jamie MacDonald, ex-portfolio manager, Point 72**

**Jamie:** Martin, thank you so much for joining us today. It's great to have you here. Please start by talking a little bit about yourself at JUST Capital.

**Martin:** I'm the CEO. JUST was formed about 10 years ago by Paul Tudor Jones, Deepak Chopra, Arianna Huffington and Ray Chambers. A bunch of people who really care very deeply about business and about capitalism but are also very activist philanthropists. They felt that the private sector basically had to do more if we're going to really address societal challenges, and we can talk more about that later, they had a dream, it was called JUST Capital and they hired me to try and bring it to life.

**Jamie:** So, the real sort of ethos behind it is that to enact real change, basically you need money flowing in the right directions. If you can get capitalism and shake it and get money going to towards the businesses that, are you know, behaving in the correct way then you're going to get this kind of self-fulfilling momentum that other companies will then try to aspire to.

**Martin:** I think businesses will act out of self-interest. So, what we want to try and do is provide the incentives. Now, why should companies today think about investing in climate solutions? Why should they think about investing in their human capital or communities? They'll do it because it will help them be better businesses. And so, we try to lift up leadership. We try to provide those incentives that the market needs to reward companies for leadership of that type. Because we live in a free-market economy, the market needs information and data on how companies are actually doing those things. That's what JUST Capital provides. We provide the information on which companies are leading on creating value for different stakeholders, which companies could perhaps do a better job. You know, what are the stories of change? And most importantly, what's the business case, you know? What is the

relationship-to-market performance? Competitive positioning and things like that.

**Jamie:** So, Martin, for this conversation I'd love to start with the bigger picture and then we'll narrow down a little. What do you think really drives major social and cultural change?

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I think we're in a moment now where it feels like social, political and cultural forces are coming together particularly around this idea of business in society.

**Martin:** Well, it's obviously many things. I think we have some basic sort of human traits that don't change and haven't changed since the ancient Venetians were trading. All the way through, the Joint-Stock Company, the East India Company, all the way through, major changes in how we structure markets, stock markets, the equity markets, and so on and so forth. I think where we're at today is a period of perhaps more intense transformation where the role of business in society is being questioned, the role of capitalism, is it working? And is it working for enough people? We do a lot of public opinion research, and we know that society expects more of business, wants business to do more, wants a path for themselves and their families to build wealth and drive prosperity, and so on and so forth. So, there's some enduring things that haven't changed but I think we're in a moment now where it feels like social, political and cultural forces are coming together particularly around this idea of business in society.

**Jamie:** When you think about big business, do you feel its ingrained in them now that they have a responsibility to treat their employees a certain way, to treat the environment a certain way? Or are they still far too focused on returning money to shareholders effectively? And how do you try and align those two things?

**Martin:** Well, it's interesting the way you phrased that. You positioned it as, either they do that, or they make money. I think the premise of how a company makes money is shifting, you know? Today there's a lot of money to be made in environmental solutions, you know? And addressing the climate challenge. There's a lot of value to be created by attracting, retaining, advancing your best talent. So, I don't see those things as a trade-off.

**Jamie:** I'll give you an example. I had a friend of mine who was starting a company recently in food delivery. It was the pots that they were going to serve their salads in which are at the source of the question here. If they got them from China, it was going to cost them \$4 and if they got them locally, it was going to cost them \$6. So, and this is a startup, they could either be more environmentally friendly and get them locally and not make as much or get them from China to start with and get them much cheaper. So, that kind of decision is what I'm talking about, am I trying to make more money or am I trying to be more responsible?

**Martin:** Yes and that sort of capital allocation decision has to be seen in the context of the overall business, right? So, if your friend's in a startup situation and margins are razor thin, and they feel like this is where we're going to source now to stay alive, to have a viable business. If that's the difference maker, then the pressure's on really, quite honestly, to source the Chinese pots. Probably because that incentive is really around their survival. I think though, you could look at it another way, which is, there are many things that we think will make this company great, one of them is our environmental brand. We want to market ourselves as an environmental leader as part of the product. Maybe we'll attract and retain consumers who have more loyalty to us because of that. I'm not sure that they would pay more for the product but certainly you could position the company's brand in a different way, and maybe there's premium pricing, I don't know. But, so, the context of the business, it's a bit like investing in workers, raising wages. You know, we often see companies say, we're going to give frontline workers higher pay, higher hourly wage, and Wall Street sort of objects to that. And yet when you see companies now investing in their workforce, investing in training, upskilling, you know, there's a return on that. And so, if you're looking over the long term you think about capital allocation and the return of making those kinds of investments, whether it's the environmentally friendly, locally sourced pots or whether it's lifting wages in the workforce. Like, how do you think about that in the long-term business context?

**Jamie:** So, talking specifically about ESG, it felt like that was a very hot topic in 2020. There was a lot of media attention on the subject of ESG, the pandemic shook up so many things. And where do you feel we are now on the ESG journey and what needs to happen for us to take the next leg up?

**Martin:** The last few years, I would say going back to probably 2017/18, you couldn't go to a conference without major panels on ESG. Look, I've been in that space for, gosh since the late 90s. So, I've seen it go from a conversation in a room not much bigger than this one, to being the main topic at Davos. There are a lot of people moving into the space, a lot of confusion around terminology, sustainable investing, ESG, stakeholder capitalism, social impact, impact investing, corporate responsibility.

**Jamie:** Has there been too much lip service coming into this world? Have people being saying "green things" to sound more environmentally friendly. But when it comes to it, you need to look at their actions more than what they are saying to be clear on where they stand?

**Martin:** Yes. In a word. I think, there's a lot of authentic actors who are really seeing ESG as a way to think about investment risk and performance, how to measure that, how to get a handle on how climate, for example, is going to affect their portfolio over the long term. Totally legitimate and an important thing to do if you're a forward thinking, long-term investor. But there are also, I think, many managers who felt like this is a way to gather assets. This is way to charge more. You know, we've seen fee compression come down across the market, this is a way to resist that. And then you must ask, to what end? Was this flow of capital producing outcomes on the underlying environmental and social issues? Was that their goal at all?

**Jamie:** And is the disclosure good enough now that we know those answers or not yet?

**Martin:** No, I don't think so. I mean, we see, not in a macro sense, we see progress at the individual company level. I mean, that's what we do at JUST Capital, you know? We're tracking now what companies are doing on investing in their different stakeholders, their workforce, their communities, their customers, the environment. So, we are monitoring progress on a year-on-year, quarter-by-quarter basis. And I can tell you, honestly, Jamie, hundreds of companies across all the things that we measure are improving each day. And we're seeing data on that, you know. Is that producing the kind of outcomes on a systemic level? Are levels of income inequality coming down? Starting to see some evidence of that as wages increase. Are we really making a dent in climate change and industrial greenhouse gas emissions? Not so much.

**Jamie:** Are big business doing enough? Are big tech innovating enough in the right directions to help the world get to that place?

**Martin:** So, let's start with the Paris Objective, net zero by 2050. We're tracking companies that are making those pledges. How many companies are releasing data and reporting on their emissions trajectories? It's hard to know. It's very difficult to really sense how companies are doing against their commitments. Are we really tackling the major sources of emissions around the world? And is technological advancement happening fast enough so that when we get into 2030, 2040, which is really when the

chips are down, are we on track? We don't see enough transparency of major emitters yet to really be able to know that company's on a path to net zero or that company's on a path to a one or a two-degree warming scenario. Like, that's an interesting question. Could you, for example, measure which companies are taking us to an actual warming scenario that scientists tell us is manageable and which companies are actually taking us to a three or four degree or more warming scenario?

**Jamie:** Yes, and actually make that public and then let the shareholders decide where they want to be putting their money.

**Martin:** Right, exactly. So, it's difficult now in terms of are we investing in the right kind of technologies? I see a lot of money flowing into technology. You see a huge amount of the market potential, but how much of that is real? How much of that will generate a return? And what's the market also for climate adaptation? I think we're going to be seeing a lot of solutions that deal with rising sea levels and increasing storm intensity and things like that.

**Jamie:** A few more Just Capitals around and hopefully that will accelerate things.

**Martin:** I hope so, that would be great. That's the whole idea, to try and speed those things up.

**Jamie:** Martin, I wanted to ask more specifically about JUST Capital. You mentioned some pretty big names, people who started the company along with you, Arianna Huffington, Paul Tudor Jones. What does the future for JUST Capital look like? Are you raising money now? I know you've got the JUST ETF. How are you going about marketing it? How are you trying to drive an increase in assets under management?

**Martin:** So, just to be clear, no pun intended, JUST is a 501(c) not-for-profit, we poll the public to ascertain how do people think about this idea of a just company.

**Jamie:** So public opinion is a big part of what you do?

**Martin:** Absolutely, it's a key differentiator for us. We've probably got some of the best data out there on how Main Street America thinks about business today. And we're constantly taking the pulse of the public on key issues. So, we don't define what a 'just' company is, the public defines it. We then track how big publicly traded companies are performing on the public's priorities. With that we create investment products, which we partner with asset managers and asset owners. We have invested a lot in media and the narrative, our partnership with CNBC, for example, where we really get the stories of business leadership out there because that's a big part of the incentive. We work with other nonprofits, we work with other civil society organisations, academia and so on. Increasingly, which I think is really exciting, we're working with the companies, that we rank. The companies that want to be better. So, they come to us and say, "Hey, what does leadership look like? How can I benchmark myself? Give me the data to help me figure out what the game plan can look like at my company."

**Jamie:** And you actually disseminate best practice advice to these companies?

**Martin:** Absolutely. We have programs in very specific areas that are really driving change at scale. You asked me about the future of JUST, yes, we want to influence as much capital as possible. We want investment partners who want to take our data and use that to drive performance, financial performance but also real impact. We've really made, I think, some of our most substantial advances in the S of ESG, if you will, around human capital and society and communities, and workers in particular, because those are the things that matter most to the public. So, we're always focused on trying to, like I say, influence as much capital as we can, but really for JUST, it's about scale. We want to be the preeminent organisation that is trusted as an objective source of data and information on how companies are creating value for stakeholders, that's what we want to be. And we want to be not just that in America, we'd love to do that around the world as well. So, scale for us, reaching as many people in the public as we can, driving as much change with businesses as we can, influencing as much capital as we can and really trying to get the global private sector much more focused on tackling underlying societal challenges as possible.

**Jamie:** Well, Martin, it's very uplifting speaking to you. I wish JUST Capital all the best and yourself the best. And thank you so much for taking the time to chat with us.

**Martin:** It's been my pleasure. Thank you.

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