

**Social Capital Conference (SoCap09)**  
**Fort Mason – San Francisco**  
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**Panel Topic:** Mainstream Players Entering the Social and Environmental Area

**Moderator:** Dave Chen, Equilibrium Capital

**Panel Participants:**

Molly Bordonaro, Gerding Edlen  
Peter Knight, Generation Investment Management, LLP  
Peter Mertz, Global Forest Partners, LP

**Purpose:**

The panel discussion centered around examples of how traditional mainstream investment sectors (real estate, timber/forestry and Investment banking) are being systematically designed using sustainability principles upfront in business model development. These models have proven themselves to offer financial returns at near or above mainstream market value. Furthermore, global social impact benefits have shown not detract from their long term asset base value but to insure the value as an integral part of what makes it sustainable and enduring from a social and financial perspective.

**Design/methodology/approach –**

The common goal of creating a successful long-term asset value vs. short-term asset value was used as the fundamental approach in each company's discussion of developing a solid financial and management structure in their business practices. In all panel members discussions, it was clear the core values of the top management team played out as a driving force in developing infrastructure and investment integrity in their business decisions and strategic planning. In addition, social, environmental, ethical, geo-political along with financial factors were used in assessing management decisions and achieving pathways to financial growth.

Examples of current methodology and best practices being used:

- 1) Sustainability is used as a business assessment "lens" in determining the investment management team's ability to employ limited resources, practice ethical business behavior, leverage competition and to protect brand equity. (Peter Knight)
- 2) Using the replenishment model taken from the agricultural sector and applying it to the timber industry created a long-term strategy of securing land, planting, harvesting and replanting trees. This created a closed loop system and yielded the alleviation of increasing pressure on the depleting of natural resources. (Peter Mertz)
- 3) By employing sustainable building practices as a core strategy driver, operating costs on commercial and residential real estate properties declined and as a result out performed mainstream buildings from both a financial and quality of living perspective. These practices have begun to set the basic standard for all building practices in the future and have become key attractors for good quality commercial and residential tenants. (Molly Bordonaro)

**Findings –**

All three sectors discovered that sustainability practices simply made good common sense from an economic point of view. Blending financial and social value within the core strategy of the company and its investment strategies yielded long- term financial strength and competitive positioning when compared

to mainstream options. Investing in the social and environmental well being of a community (local and/or global) has proven to insure long-term asset value and ROI at competitive levels. Moreover, these models are positioned to grow exponentially as local and global government initiatives (such as climate change regulation, carbon taxation and cap and trade) offer incentives and hence become embedded in future government policy.

### **Practical implications**

Given the complexity of global economic and social challenges facing the public and private sectors, all inclusive sustainability practices within a business organization help to mitigate both short term and long-term investment risk factors and insure social improvement and financial profitability.

As sustainability business models become proven in regards to return on financial and social impact investment, a common language and measurement for success will begin to emerge. Hence, user friendly social and financial “comparables” will begin to take shape simplifying investor and fund management analysis and decision-making.

### **Originality/value**

As traditionally conservative industries enter into new and successful ways of insuring long term asset value and ROI through sustainable and systemic business practices, the market’s demand for quality will increase; quality living, quality jobs, quality water and quality air to name a few. Cross industry pressure is inevitable as inherent in sustainability business practices is the need for all social, environmental and economic systems to fully participate.

### **Keywords**

LEED Building Standards, Livable Place Index, Global Timber Industry, Emerging Markets, Mainstream Markets, and Sustainable Business Practices.

**Paper type:** Panel Discussion Review

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