

# The Transformative Power of Money

## Conference Report

10 December 2018, Brussels

Conference organised by the *Entrepreneurship and Innovation for Sustainable Development Network* of the Foundation for Future Generations, as part of the first Future Generations Summit.

Keynote speaker: David Pitt-Watson (business and social entrepreneur and author)

Panelists: Maïté Mercier (Litte Food), Thomas Van Craen (Triodos Bank), Giulia Porino (Finance Watch), Benoît Derenne (Foundation for Future Generations).

Moderator: Nina De Man (Pitchwork).

### Intro

---

**Benoît Derenne** (CEO, Foundation for Future Generations) emphasizes the need to take a holistic, 360° approach which include the challenges of protecting the planet, developing better human relations, a shared prosperity and deeply improved participation – a “4P” approach, consistent with the SDGs, that lies at the heart of the work of the Foundation for Future Generations. As a platform for transformative philanthropy, that connects partners, investors and donors with sustainable grass roots initiatives, the Foundation has a profound desire to increase the public debate around the topic of this conference: “The Transformative Power of Money”.

**Hilde Weckx** (General Manager, Expanscience Belgium) represents the Entrepreneurship and Innovation for Sustainable Development Network. Two years after the previous conference has put the growing B Corp movement under the spotlight, Hilde is proud to announce that Expanscience is the largest French company to obtain the B Corp label. She stresses the importance of this kind of initiatives to make companies evolve towards more sustainable practices and ultimately put sustainable development at the core of their mission.

### Keynote speech

---

**David Pitt-Watson** (business and social entrepreneur and author) started by highlighting that most people show little interest in finance, considering it’s a boring topic. But he shares a strong message: **“It’s your money, and you should care about what they do with it”!** There is a need to reform the system, and to achieve that we all need to take responsibility for that ownership. Therefore, it’s key that we also understand why the financial system exists and which goals it serves.

The financial system does not have a positive image, many would describe it as “corrupted” and “greedy”, while people working within the financial system often say it’s “overregulated”. However it is clear that finance can – and must – have a positive impact. Muhammad Yunus won the Nobel Peace Prize for his microfinance organisation Grameen Bank. In Kenya, Mpesa installed a cooperative bank facilitating finance for migrant workers. These are **financial systems have a huge social value**. In history, financial pioneers were not greedy either, but rather social entrepreneurs.

**What is the purpose of finance?** The four essential services that the financial system should offer are:

- the safe keeping of assets
- to provide an effective payment system
- to share risk, which allows us to buy life insurance and have a pension

- intermediation, which transfers money from point A to point B, from where it exists to where it is needed. The last service is the most essential one.

**Finance is absolutely fundamental to solve some of the crucial problems that we face today.** All 17 UN Sustainable Development Goals have some aspect that is going to require finance or the reform of finance.

**How well does finance do its job?** Or said differently, how efficient is our financial system? In a simplified model it takes money from those who have it, channels it through banks, investment managers and insurance companies and allows it to be invested in companies. A lot of money is needed to get this system to work: the global financial industry costs 5 trillion dollars to run. That has been going up drastically over time. However the cost of intermediating one dollar is the same today as it was in 1880. Consequently, **although the financial system has become more sophisticated, it has not become more efficient.**

**How to ensure that the financial system serves the four goals described above?** We, the clients, need to ask the right questions and put forward strong expectations. If we don't, the finance industry might keep acting primarily in its own interest. We also have to support new institutions or pioneering banks such as Triodos Bank. And above all, we need to reform the existing system.

And that is possible. For instance, half of the shares of big companies are owned by ordinary people through pension funds and insurance companies. Only 1 in 6 is owned by wealthy people. *We* own these companies, consequently *we* can make these companies and the financial system work for *us*. He shows the example of a letter that clients can send to their pension fund, as it was done in the run-up to the COP21 in Paris.

David ends his speech by repeating his key message: It's your money. You should demand that it works in a sustainable way, towards changing society.

## Panel discussion

---

**Maité Mercier** (co-founder, Little Food) explains how Little Food they wanted to trigger a triple-revolution: change the way we eat, change the way we produce and change the way we find resources (financial or human). As they experienced, although they put their social and environmental impacts forward as their driver to develop, finance has been the decisive factor making it possible to grow. As young green entrepreneurs, they had to **learn how to speak the language of finance**, one that is different from the idealistic, passionate language they were used to speak.

**Thomas Van Craen** (Director, Triodos Bank Belgium) states that a **bank can indeed turn money into a transformative force**. The mission of Triodos Bank is to materialise that potential. Triodos Bank invests savers' money in a 100% transparent manner in organisations and companies that generate a positive impact on society and environment, for instance in the field of clean energy. This approach is enshrined in the Triodos Bank bylaws since the very beginning. Triodos Bank is a member of the Global Alliance of Banking on Values. This group of banks share a similar mission: use money to invest in a liveable world. Thomas acknowledges that for traditional banks it is not easy to embark in this transition. And among those who claim they actually did so, a thorough look at their financial products shows it's often not the case.

**Gulia Porino** (Network Coordination & Development Officer, Finance Watch) explains that Finance Watch strives to **make finance serve society**. They respond to a need to counterbalance the private interest in the debate on financial reform. They do this by gathering civil society organisations, including

those working on issues that are only indirectly affected by finance and trying to promote alternatives. They seek to mainstream sustainable, positive finance. Giulia reminds that there are two ways of engaging in the debate: as a citizen and as a consumer. As a citizen you have the right to participate in the democratic debate and ask the right questions to politicians. And you should do it over and over again, until you receive an answer that is clear and comprehensive. Also, as consumers of financial services you have the right to ask how your money savings are used. Likewise, you must ask again and again, until you get a clear a clear answer.

**David** adds that we are used to have a civil society, but we don't have a civil economy. **Finance needs to be held to account in exactly the same way as politicians are being held to account.** Too few journalists question the financial system (maybe because they think it's boring for readers). **Giulia** stresses the difference between financial education and financial literacy. Sustainable finance requires more than choosing the "right" investment from a catalogue. It means informing people on what, when, and why to choose and why not. There is more understanding needed. For example on the risks and consequences of social and environmental issues.

**Benoit Derenne** explains the link between the Foundation and Little Food. The start-up was selected by the SE'nSE Fund of the Foundation for its positive environmental impact. It received seed capital at a crucial moment of its development. **Maité** confirms that the support of the SE'nSE Fund was a tipping point for Little Food, in terms of funding, a recognition that helped attracting other investors. And it was also a sort of eye-opener to learn that "clean funding" can be found.

**Benoit** continues by saying that there are different ways to materialise the transformative power of money. The key is to **favour societal return over financial return.** The Foundation does this in three ways: allocation of grants, impact first investments and socially responsible investments. Sadly, such ethical or sustainable investments represent less than 10% of all assets invested worldwide. In addition, he says that negative screening, as done by some banks, is not enough. We need to set ambitious, long term criteria for investments. Benoît states it is time to **take our responsibility**, as individuals and institutions. He sees **three main challenges** in this regard. First, more financial instruments that finance a liveable and sustainable economy are needed. Second, we need to favour "patient capital". Meaning applying a long term investment perspective and thus investing in core needs (such as infrastructure, ecological transformation, innovation, migration) that are essential for society, but with no expectation of quick financial profit. Third, a 360° vision is key. We have to make sure we avoid working in silos. For example financing positive environmental impact, at the expense of negative social impact.

## Questions & answers

---

*"Do you think that financial services should stop speculating?"*

**Thomas** clarifies that risk investments in start-ups such as Little Food is not speculating. Triodos Bank chooses not to sell complex financial products, but to only finance the real economy, more precisely organisations and companies that have a positive impact, in the domains of agriculture, education, sustainable real estate or renewable energy. He adds that a letter as proposed by David could certainly help here. **David** adds that speculating is in general a zero sum game, played with our money.

*"How can we wake up less involved, conscious and informed consumers?"*

**Giulia** explains that the approach of Finance Watch is showing how finance is linked to almost every other dimension of society, such as environment, wellbeing, migration, equality ... By making this link Finance Watch tries to create alternative narratives on finance. In addition it builds on participatory

and collective actions of many other organisations. Working together is important. **Thomas** stresses that this is a shared responsibility. Consumers need to ask the right questions, but don't have to be experts. Entrepreneurs need to look beyond purely financial return and let ethics be a guiding principle. Public sector needs to create the right framework.

*“Is money our friend or foe?”*

**Maité** confirms that starting her own business has changed her view on finance. Finance is the engine of business activity, an engine that needs strong improvement, but that will nevertheless remain the engine. **David** adds that indeed, we need finance! Therefore the fact that finance is seen as a foe, is a threatful (rather recent) development.

*“Why don't we have a simple labelling scheme, to clarify the impact of financial systems?”*

**David** responds quickly that he thinks this a great idea. **Thomas** warns that today in Belgium a financial product can have a “sustainability label”, but nevertheless contribute to the oil and gas sector. Consequently a label could help out here, but depending on the quality of the label, could as well confuse consumers. **Giulia** responds that regulators and policymakers can play a huge role with bold initiatives. Bottom-up actions could show them the way. She thinks the political momentum is there. **David** agrees and adds that politicians need to understand the purpose of finance and where we want to take it. Politicians have an enormously important role to play, but different from the one they have been playing so far. More regulation is not going to do the trick. A lot of international initiatives work, because they don't have a legislative background to take into account. They only bring people together. And that's new.

*“What factors or levers will get us to an ethical and sustainable financial system?”*

**Maité** finds it important that value assessment of companies does not only count financial return, but also social and environmental return (or cost). **Thomas** confirms extra-financial elements should be valued more. He also calls on the morality of entrepreneurs and bankers. **Giulia** stresses the power of a bottom-up approach, and that we need to push for a change, through debates, meetings and events (like this one). Also science and education have an important role to play. Therefore a multidisciplinary approach when studying and teaching finance is key. **David** responds that indeed the civil society needs to be complemented by a civil economy. Of course introducing a worldwide carbon tax would be a brilliant system change, but also only one aspect. We need to think of it as an ecosystem. There's not one important factor, but many interdependent ones. We have to demand a change in the financial system, so that it can fulfil its real purpose!

**Benoit** closes the conference by insisting that, given the magnitude of the challenge, we need every player on board! And it doesn't need to start at the top, among those who have the decision-making levers. Every business, philanthropic or financial actor must seek to constantly improve themselves, and not be afraid to openly evaluate and share their progress.