



# P E R S P E C T I V E S

by **Rinaldo S. Brutoco**

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## Green Is Good!!!

### *Healing the Biosphere One Step at a Time*

Last week this column skewered the plaintive cry of the character Gordon Gecko in the film Wall Street when he propounded that “Greed is good”. In doing so we wrapped up the article by quoting one of the most famous and powerful of all capitalists, Chairman and CEO Larry Fink of BlackRock. The firm Fink runs is the leviathan of international finance with over 35 million retirement plans advised by over 100,000 financial advisors, supported by over 7,500 employees scattered around the globe. The organization exemplifies the power of capitalism to create massive amounts of wealth in the 32 years BlackRock has existed. This is no “tree-hugging” collection of environmentalists. This is an organization known for a single-minded pursuit of financial return to its customers. That is hardly a place where you’d expect Mr. Fink to boldly assert that the future of the capitalist world is bound up in “green” investing.

Every January, Larry Fink writes one letter to his shareholders and one to the CEOs who run the army of companies he invests in. Both audiences listen intently for signals of where BlackRock is going specifically, but also to Mr. Fink’s perceptions about where business and society are heading, and what he thinks about it. He explains his motive for writing his letters each year as a fiduciary responsibility to his clients, a way of putting focus on the trends he sees as critical to long-term returns that will underwrite success into the future.

This year he made a particularly bold pronouncement to his audience about his view of the future direction for global capital markets, stating: “The next 1,000 unicorns won’t be search engines or social media companies, they’ll be sustainable, scalable innovators – startups that help the world decarbonize and make the energy transition affordable for all consumers.”

A “unicorn” in wall street parlance is a company that becomes worth more than a billion dollars before even going public. 1000 unicorns making “the energy transition affordable” is tantamount to saying that the entire future of our global economy will be financing and implementing the transition to the “green” economy that is required to begin healing our biosphere before it is too late. Mr. Fink went on to observe “We focus on sustainability not because we’re environmentalists, but because we are capitalists and fiduciaries to our clients.” He describes the capitalist driver behind this incredibly bold statement by observing:

“With the unprecedented amount of capital looking for new ideas, incumbents need to be clear about their pathway succeeding in a net zero economy. And it’s not just startups that can and will disrupt industries. Bold incumbents can and must do it too. Indeed, many incumbents have an advantage in capital, market knowledge, and technical expertise on the global scale required for the disruption ahead.

Our question to these companies is: what are you doing to disrupt your business? How are you preparing for and participating in the net zero transition? As your industry gets transformed by the energy transition, will you go the way of the dodo, or will you be a phoenix?”

Get on board, says the man with more investable billions than anyone but the leaders of sovereign wealth funds. Mr. Fink is throwing down the gauntlet to every CEO, not just the ones he invests in. He's declaring that we've taken the Industrial Revolution as far as it can go and we're now, like Beijing this week, choking on the air itself. He believes we're out of time to make this sustainability shift. We'll either respond with significant capital markets support for the biosphere being healed (which he contends will make us richer than Croesus) or we will perish from the planet in massive numbers like the poor dodo bird. Humans must undertake this challenge to maintain a viable civilization as we know it, and business will become enormously profitable as it does.

That's a happy thought: business can, and must, invest in healing the biosphere to insure its' own future financial viability.

BlackRock is not alone in admonishing CEOs and shareholders. One of the most successful and visionary business leaders of this century, Paul Polman, the incredibly successful former CEO of Unilever and a key business spokesman at the Paris Accord meetings, has gone further than extolling capital markets support for the environment. In a recent editorial in the Financial Times, he has also called on business executives to take up the slack for our handicapped political institutions. "In straitened times a more morally conscious business elite must, surely be a good thing." Polman observes "We live in an historic moment of multiple and converging global challenges and our governments and multilateral institutions are hamstrung." He concludes with this trenchant comment: "Economically, evidence is stacking up to show the financial benefits to companies that consistently apply their principles and actively work to solve societal problems." He's absolutely correct, as research shows again and again.

And Polman is joined by many other titans of industry in taking a principled stance in business. He celebrates Salesforce's Marc Benioff, Virgin's Richard Branson, IBM's Ginni Rometty, and Merck's Ken Frazier in their courage to speak out. Corporate activism, he argues, is not only acceptable—it is essential at this time.

When faced with ecosystem devastation, we have to connect with the idea that society will "do better by doing good." We have to welcome and embrace the role of activist CEOs and shareholders who see their financial interests inherently intertwined with the biosphere's health. World governments are not, and cannot be given their various national political stalemates, capable of getting us out of the climate crisis. That's why, despite the best political intentions we haven't begun to reverse climate change—we're getting hotter every year and spewing more CO<sub>2</sub> every day.

Business as the most powerful institution on the planet must devote its massive resources and organizational expertise to reducing, capturing, and converting our toxic greenhouse gases, while financing the transition to a clean, green hydrogen economy. Yes, "Green is good". Fortunately for human civilization's future survival, it is also very profitable!

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