

# “Social and Environmental Value Creation”

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Earlier this year, on World Environment Day (June 5), the UK Treasury commenced an inquiry into the prospects for decarbonization of the UK economy and the potentials for green finance that can support clean growth. The UK is the first G7 country that has committed to a target of net-zero greenhouse gas emissions in law, completely decarbonising the British economy by 2050. This is a legally binding commitment, one that future generations of UK citizens will hold the government accountable to; but, more significantly, one that will shine the promise of a green and clean future for our children and their children as well.

The UK's 'net-zero' target goes much further than the target envisaged in the Climate Change Act of 2008. We are confident that we can achieve such an ambition because it is possible – with today's technologies, with today's talents and inspired human resources, and with the full support of an economic system that has realised that harming the globe is tantamount to ruining our future. We feel encouraged when we discover, as we did in 2018, that our country could spend two whole weeks without [burning coal](#) for generating electricity—the longest period of time without burning coal since the industrial revolution.

However, none of this can happen without the hard-nosed calculations and the detailed analyses that are done by accountants and economic experts. This is why I started with a reference to the UK Treasury. When we think climate change mitigation and adaptation, we seldom think of balance sheets and finance, but these are the drivers of the social and environmental future that we want. And this is why I am pleased to be present here today, for the release of a report titled:

"Tomorrow's Capitalism: Social & Environmental Value Creation".

The cost of environmental degradation can be phenomenal. About a decade ago, in 2010, environmental economists at the World Bank studied the cost of environmental degradation in countries in Middle East and North Africa – covering over 300 million people – and the critical impacts of degradation related to water, air quality, agricultural land, forests, waste, and coastal zones. They found that the cost of environmental degradation can range from as little as 2.1 percent to as much as 7.4 percent of GDP. These are significant numbers. The experts at the World Bank concluded that if the such costs have to be mitigated, these countries must focus on policies that prevent degradation, on investments in new technologies that are less harmful to the environment, and on strengthening the institutions of governance and public delivery. It is clear that 'business-as-usual' approaches cannot suffice if we have to respond decisively to the new challenges of the 21<sup>st</sup> century.

I am happy to learn that the accountants have already been looking at alternative ways to view capitalism. Since the Brundtland Commission of 1984, we have known that sustainability depends not only on economic growth, but also social cohesion and productivity and the protection and regeneration of the environment. During the 1990s, management gurus had started to reflect on the experiences of the 20th century and the ways in which the pursuit of capitalism seemed to have become detrimental to nature and social cohesion. Climate Change has become the dominant issue of the present day, and the businesses and industries that sustain our economies must take account of this unprecedented phenomenon.

With support from Innovate UK, one of the UK Government's key initiatives to explore the economic potentials of enterprise and creativity, a pioneering company in London is conducting what it calls the 'Tomorrow's Capitalism Inquiry', which "aims to accelerate the emergence of an economic system where companies thrive because of – not in spite of – their commitment to creating economic, social and environmental value." The founder of this company is a management guru named John Elkington, who coined the term 'Triple Bottom Line' (People, Planet, Profit) in 1994.

Just a year ago, in 2018, John Elkington argued in the [Harvard Business Review](#) that the idea of the Triple Bottom Line, which has found widespread acceptance, "has not yet triggered the kind of system change required to make capitalism truly sustainable."

With the support of several UK companies, Elkington is exploring how the principles of the Triple Bottom Line can be applied to catalyse economy-wide transformation.

During the past 20-25 years, the idea of the Triple Bottom Line has informed the development of frameworks that have now become embedded in our thinking, such as ESG safeguards (environmental, social and governance), Impact Investment, and Shared Value.

At the UK High Commission in Delhi, we are continually engaging with the industry and business leaders of the country, to see how companies can promote green and clean growth and how they can infuse their operations and corporate philosophy with the principles of fairness and sustainability. How can they shift from a degenerative to a regenerative economy, which can cease to threaten our climate, our water resources, forests, soils and biodiversity—and, in fact, can lead to their preservation and regeneration.

It is clear that the whole economic system must respond to the need for the 'triple bottom line' principle. Identifying and measuring the societal and environmental impacts of economic processes will also force a re-think about such ideas as 'GDP', which is still prevalent as a measure of economic growth. We can no longer measure our economic achievements simply by what and how much we produce. The world cannot sustain such a simplistic approach to development. We will need to create new ways to measure our economic growth, and it will be bodies such as ACCA who will provide the innovative tools that can inform practice.

In 2014, ACCA had already anticipated the need for preparing for a world where capitalism would have to be reshaped by the professionals who handle the core preoccupation of capitalism: finance. In describing the outlines of 'tomorrow's finance enterprise', the experts at ACCA identified five critical issues for the future:

- o That volatility, a constantly changing financial context and risks that proliferate faster than ever before.
- o Smarter finance delivery by ensuring that enterprises develop better insights in order to deliver cost-effective and process effective operations.
- o Understanding how businesses generate value.
- o Paying attention to the new technologies that enable the use of social, mobile, cloud and analytics technologies to drive enterprise change and new business models.
- o People matter and the new talent that is required by the finance markets may come from unusual and unexpected sources, therefore staying alive to the potentials of new talent can make or break a

business.

I look forward to the new report that will be launched today, titled "Tomorrow's Capitalism: Social & Environmental Value Creation" by ACCA (Association of Chartered Certified Accountants), London. I expect that this will have an impact on how Indian businesses – and the directors of those businesses, many of whom are present here tonight – will drive the future enterprises that will give India a leadership in defining how responsible businesses can contribute to alleviating poverty and creating shared prosperity in the country.

I am particularly pleased that the report will demonstrate once again the value that the UK can bring to its development partnership with India. The UK and India are collectively working to address key global issues such as climate change, sustainable energy, disaster resilience and environmental degradation. At the ongoing United Nation Climate Action Summit, our countries are supporting each other's new global initiatives through a 'Call to Action on Adaptation and Resilience' and a 'Leadership Group on Industry Transition'. We are also partners in launching the global 'Coalition for Disaster Resilient Infrastructure'.

The UK is aware that India's growth story is driven by the people's aspirations. The Indian government has embarked on a bold mission to deliver world-class infrastructure and services – energy, water, sanitation, transportation and waste management – that promises to lift 300 million out of poverty and enhance economic productivity for all. Over the next decade, this massive effort will require trillions of pounds of investment in over 8000 cities and 60,000 villages. This is an opportune moment to scale up and enhance the unique development partnership between UK and India at all levels of government in India – centre, state, district and municipal – and with the private sector across myriad scales and value chains.

Our different agencies and departments, the FCO, DFID, DIT and UKRI, along with CDC, IPA and PIDG, offer pioneering ideas and solutions that are being tested on ground in India. We have partnered with the Indian Ministry of Finance to share UK experiences in infrastructure finance, with a focus on PPP. WE have established new funds for renewable energy, notably the Green Growth Equity Fund, with the Indian National Investment & Infrastructure Fund, through a combined commitment of £240m. We are supporting India's Smart Cities Mission and promoting innovative finance through land value capture and transit-oriented development. DFID has incubated non-banking financial companies as well as new businesses in renewable energy, housing and waste management. We are supporting greater interaction between Indian stakeholders and the London Stock Exchange, for 'masala' bonds and other innovative instruments.

With India set to achieve their ambitious goals for decarbonisation, and with progressive policies to promote e-mobility and resource efficiency, we feel confident that the UK and its institutions and expertise will continue to contribute to sustainable development in the country. This report will be one such contribution. ■

*\*H.E. Jan Thompson OBE's 'Guest of Honour Address' at the recently held special workshop on "Social and Environmental Value Creation" along with the release of Global Report on "Tomorrow's Capitalism: Social & Environmental Value Creation", on September 24, 2019, in New Delhi.*