Sir Ronald Cohen Discusses His New Book “IMPACT Reshaping Capitalism to Drive Real Change”

- Good evening, everybody. It is my great pleasure to introduce another very esteemed friend of mine, Sir Ronald Cohen, who is currently chairman of the Global Steering Group for Impact Investment and The Portland Trust. He is a co-founder director of Social Finance UK, USA, and Israel, and co-founder chair of Bridges Fund Management and Big Society Capital. For nearly two decades, Ronnie's pioneering initiatives in driving Impact Investing have catalysed a number of global efforts, each focus on driving private capital to serve social and environmental good. These efforts are leading the global Impact Investment movement towards an impact revolution.

He chair the Social Impact Investment Taskforce, established under the UK's presidency of the G8 from 2013 to 2015, the Social Investment Taskforce, 2000 to 2010; and the Commission on Unclaimed Assets, 2005 to 2007. In 2012, he received the Rockefeller Foundation's Innovation Award for innovation in Social Finance. He co-founded and was executive chairman of Apax Partners Worldwide LLP from 1972 to 2005. He was a founder, director, and chairman of the British Venture Capital Association and a founder/director of the European Venture Capital Association. He is a member of the Board of Dean's Advisors at Harvard Business School and Vice Chairman of Ben-Gurion University, a former member of the Harvard University Board of Overseers, a former director of the Harvard Management Company, and the University of Oxford's Investment Committee, a former trustee of the British Museum, and a former trustee of the International Institute for Strategic Studies.

He's a graduate of Oxford University where he was president of the Oxford Union and serves as an Honorary Fellow of Exeter College. He has an MBA from Harvard Business School to which he was awarded a Henry Fellowship. In 2007, Ronnie published "The Second Bounce of the Ball: Turning Risk into Opportunity", and today is authoring a book, "On The Impact Revolution". Ronnie lives in Tel Aviv, London, and New York with his wife of more than 30 years, Sharon Harel-Cohen, who is a film producer. She received last year in 2019 the Israel Film Achievement Award in Israel. And if you haven't seen her movie "Incitement", I strongly urge you to do so. They have two children, Tamara and Johnny.

Throughout the world, capitalism and democracy are being challenged with great force. We're facing huge social and environmental problems. The world must change, but we cannot change it by throwing money at all ideas that no longer work. We must adjust our approach. To change the world, we must change how we do business, starting with where and how we invest our money. In Impact, Sir Ronald Cohen shows that a solution is within our grasp. He calls it the impact revolution. He shows us how, driven by Impact Investment, it is reshaping our economic system, transforming the private sector from a polluter and drive of inequality into a powerful force for good, distributing opportunity more fairly, and bringing solutions to our great social and environmental challenges.

And there be promises to be as innovative and disruptive as the tech revolution that has preceded it. Whether you're an aspiring entrepreneur, an established business leader, an investor, a philanthropist, or involved in government, or just interested as a consumer or an employee in companies doing good and doing well at the same time, this book is a sure fire way to find out how you can play a role in changing the world. Ronnie, thank you for joining us tonight. I'm looking forward to hearing all about your book. And I'll now hand over to you. Thank you.

- Thank you very much, Wendy. And congratulations on your great success in bringing so many people together at the time when everyone is looking for something interesting to do. And it's a great pleasure to join you all, many friends in the audience. And it gives me really and opportunity to share some thoughts with you, but to engage in a conversation rather than to make a speech. But perhaps by way of introduction to this conversation, I can just explain how I come to be speaking with you this evening about impact.

Now, most of you know that I started my career in the investment business. At the age of 26, I created what became Apax Partners, which is now a big private equity house. And my career in venture capital started for a very interesting reason connected with South Africa, funnily enough, Wendy, because the Henry Fellowship I got that took me from Oxford to Harvard, and which I badly needed 'cause I didn't have the means to pay for an education at Harvard at that stage. Was named after Lord Henry, a South African, a Jew, who had set up these scholarships. The aim of which was for people to travel from the UK to Harvard and Yale, and then bring back something of value to the UK. And when I arrived at Harvard Business School, the world was dominated by big companies.

But one professor there who strangely was a French general called General Doriot and discredited of having been one of the first venture capitalists came to address the class. And in his description of what he was doing, he explained that he had invested in a new computer company called Digital Equipment Deck, and that he'd put $70,000 into the company, and that a company was now going public at evaluation, which would net him a hundred million a dollar profit. That caught my attention. And what I liked about venture capital at the time was that it enabled me to engage in the UK in an activity which could create jobs at the time when there were 3 million unemployed.

So I've always been driven by desire to do something which is socially meaningful, perhaps because my life brought me as a refugee to the UK. I was welcomed, I was helped, and I feel the the need and the obligation to do the same for others. So I then spent my career building up the venture capital industry in the UK and Europe more generally, and built a big global group that manages €50 billion today. But the social motivations I had were being disappointed in the sense that it was clear that I was enabling people from modest backgrounds to make a lot of money and to enrich people in their companies. And that was a good thing.

But I was also becoming increasingly aware that the gap between rich and poor, instead of getting smaller as I had expected from venture capital, was actually getting bigger. And some people were making massive amounts of money. And the general mass of the population was not progressing, particularly. Of course, that had a lot to do with the tech revolution, which venture capital funded. And tech required people with very high levels of skill, highly educated people. And the industries that were created through tech displaced a lot of smokestack industries as we call them.

And so rather surprisingly, in 2000, I got a telephone call from the treasury. And the call went to something like, the UK Treasury this is, I had advised a number of governments on entrepreneurship and the creation of jobs and so on, sometimes on the Middle East conflict as well. And the conversation went something like, this was the Blair government at the time. Gordon Brown was Chancellor of the Exchequer, so responsible for the treasury. "We've put a huge amount of effort into trying to reduce poverty, but we haven't really succeeded. Would you have a look with a more entrepreneurial lie at what can be done?"

And so I created the social investment taskforce to which Carly referred. And we started looking into how our society, and our government, and our economy deal with those who are poor and with all the social issues that confront them. And many of you on this call are philanthropists. And I hope what I'm about to say will resonate with all of you. I had been philanthropic throughout my career like many of you on the score. I was very surprised to see that the effect of philanthropy was a really twofold. It did a lot of good, but the major characteristics of charitable organisations were two.

One, they were very small and two, they were always out of money. And so the starting point for the journey, which leads me to chat with you this evening, was the realisation that I had been involved in creating a sector to fund those who want to make money out of entrepreneurship and tech for a good part, non-tech for many others. We invested in water surges, bookshops in the UK, and in Virgin Radio, and many non-tech companies as well. And of course, within tech, we invested in biotechnology, we invested in the company that loan, the Dolly the Sheep, which is the only one of all our companies that made it to a significant company of the 20th century.

And as we went on to invest, we saw that the development of society, which was being left behind and led to great philanthropic donations on the part of those of us who were fortunate enough to become successful wasn't really helping solve the social issues that we were addressing because when we were giving money away, we were typically emit for three years, then we felt we had to go and help somebody else.

And it occurred to me that we had to move beyond donations to bring investment to the charitable sector. And we published the report then and we said it ought to be able, it ought to be possible to invent a way in which investment can go to those who want to improve the lives of others in the same way that we provide investment for those who want to go out and make money. That took me on a journey over a decade. And I created an organisation called Social Finance, which we had signed, posted in our 2000 report as a necessity, which was a sort of investment bank, bringing people from the social sector and from finance together to invent this new way of funding the charitable sector.

And one day in 2010, two 30-year-olds, Toby Echos and Emily Bolton came up from the basement of my office where Social Finance was created to my office and said, "We've been trying to think of how we help young prisoners who are released from jail stay out of jail because more than 60% of them get incarcerated again within 18 months of release." And by the way, this figure is the same all over the world. What do you think they ask if we linked a reduction in the number going back to jail to a return for investors? And I said to them, "Then, wow, you have found the key to the capital markets for social entrepreneurs." And that was the social impact bond, the birth of the first social impact bond, the Peterborough bond.

And what we did there was to raise 5 million pounds from foundations and support four or five different organisations that had been working with prisoners, each focusing on the different aspect of the challenge facing prisoners, one dealing with training the prisoners, one in prison, the second one worrying about the on the release, the third one helping them to get jobs. And we brought these organisations together, and we granted them 5 million pounds over two or three years. And the deal with the government was, if we don't reduce the number going back to prison by 7.5%, then the money will be lost. It'll be a philanthropic donation.

But if we do reduce the number by more than 7.5% and the government is going to make a saving from law courts and prisons, then the government will pay back the 5 million pounds and the rate of return that increases with a number of prisoners who stay out of prison. And five years later, the government paid 3.1% a year on top of the capital that had been invested, the 5 million pounds because we'd reduced the number the organisations we funded, have reduced the number of prisoners by 9.7%.

Now, at that time, this sounded like the achievement of our ambition. We found a way of bringing investment capital to charitable organisations. And then the government asked me to lead the G8 taskforce, which Wendy mentioned. and the G8 taskforce required us to catalyse impact investment in the countries. Well, Russia was kicked out, so we were down to the G7. We invited Australia in. And we set off doing our job. And I created in each one of these countries the major industrialised countries of the world, the US, the UK, Germany, Italy, France, Canada, Japan, and Australia in this case, we created groups of people who were influential and informed to report on what was going on in their countries with regard to social issues. And what came back from that was very striking.

What came back from that was the world is changing. There's a young generation that is not interested in just making money, they're also not interested in working for companies whose values they don't share, companies that are polluting or creating social issues by using child labour and so on and so forth. And the most significant thing was that it had spread from these younger people to big investors. At that time, $40 trillion had already signed up to the United Nations Principles for Responsible Investment, which basically said when you invest, you have to take into account environmental and social consequences of your investment.

And we realised then what is at the core of Impact Investment. We realised then that the world was moving towards reconciling, or balancing, or optimising to use the technical financial term, risk and return to balancing risk, return, and impact. And actually, the social impact bond was the first security to do so because here was a security where you returned depended on the impact that you had created. So the government then asked me when we reported on the subject by saying that, "We thought that this was going to be a major trend, that eventually it would catch on and become mainstream out of necessity really rather than out of choice because the social, and economic, and climatic challenges that we face are just too great for us to be able to cope with them." What do I mean by that?

We are living with a self-defeating system. Companies try to make money, and they create all sorts of consequences in the process, and they ignore them. Consequences that pollute the atmosphere and poison our waterways and also create social issues in their weight. And then governments taxes in order to try to remedy them and however much money governments raised, they never have enough to be able to remedy all of these problems.

And so the notion arose that if we brought impact to the centre of our economic system alongside profit, if we measured the impact of companies, and if investors could look at a company not just in terms of its profit, but in terms of the impact which its products, and its employment, and its operations have on people and the environment, then companies would shift from creating problems to bringing solutions to these problems. And that is what impact is all about. It turns out that most people think that impact cannot be measured. In fact, impact can be measured. And I want to give you a sort of parallel example of how measuring impact helps to change our system. And then I'll explain where we are with measuring impact.

All of us on this school are very much aware of risk, but risk was never measured really until the middle of the last century when some academics got together and said, "Look, we can clock how much a stock or a sector goes up and down in the stock market, or a bond goes up and down in terms of its return." And that is a measure of risk of that particular type of investment. And that concept of risk had very far-reaching consequences because what it meant to us that you began to look at your investment portfolio with a different tie. Up until then, when I kicked off at the age of 26, every pension funded, every major investor only invested in two things: the stocks of that country and the bonds of their country.

And when risk came in, investors began to say, "Wow, if we invest in venture capital, it may be riskier, but it delivers so much better return than the normal investment that we should include it." And then, of course, the same was true of private equity and the same became true of hedge funds. And so the concept of diversification came in. And with diversification also came investment in emerging markets. So really the concept of risk helped to create the investment trends that were necessary to fund the tech revolution and globalisation.

Now, the same is happening with impact now, except most people aren't aware of it. The concept of impact is attracting $30 trillion of environmental, social, and governance investment. That's equivalent to 1/3 of all the professionally managed money in the world. And about half of that percentage, about 15% of all the investible assets in the world. These are investors, many on this call I'm sure, who feel that just investing for profit isn't right. We have to worry about the environment, and we have to worry about the social problems that we're creating in our weight. And because technology, you mentioned artificial intelligence, Wendy, because technology enables us now to gather massive amounts of information, we are able to measure the impact of companies. And I want to make a prediction today that a few years from now, not very long, we will be looking at the impact weighted financial accounts of companies.

We will take a company's normal sales line, and we will add or subtract from it the product impact. If the product is polluting, if it's leading to obesity and diabetes and other things, there will be a cost applied to that sales line, a reduction, which will affect the final profit. Similarly, if through employment, through lack of diversity, for example, companies are creating a social cost, that cost will be taken away from their profit, too. And then you look at their operations, and you look at the impact on the society around the facilities and more widely and the impact on the environment, and you come down to the bottom line with a different figure.

And if I tell you today that you can calculate the climate impact of companies, and that we will be publishing we being an effort at Harvard Business School which I chair, the accounts of 2000 companies waited for their environmental impact, you probably will be very surprised. And if I tell you that the following year, we will be adding to that product impact and employment impact, you'll be even more surprised. And I want to sort of end my comments, Wendy, with this statement: we're going to come out of this COVID crisis with even greater inequality than we went in. And we saw what inequality had done prior to COVID.

The result of the 2016 Brexit referendum is one expression of it, but also the violence in France, and Chile, and the Lebanon. And now, most recently, the violence following these terrible murders of Black people in the United States are driven by inequality and frustration at our system. Our political system, democracy distributes political rights, our economic system distributes economic outcomes. And when a large number of people feel that the economic outcomes are unjust and that the political system is not redressing them, then they rebel against both democracy and capitalism. Now, we had something like that in 1929.

And investors sat up and said, "My God, have we really been investing in companies without measuring their profit properly?" And we brought in standardised accounting principles and auditors, and it led to the development of massive capital markets. I believe we are at the same juncture after our similar juncture after COVID-19, that there isn't opportunity for us to begin to measure impact for governments to mandate the measurement of impact by companies. And so I'll stop there and be very happy to engage engaging conversation with all of you. Thank you, Ronnie.

Q&A and Comments:

Q: So Wendy's given me some amazing opportunities over the last few weeks, but I will say that I'm particularly excited about this one. First of all, getting to talk about a book before it's even out is a new one on me. And as I can actually see that the book over over your right shoulder, showing everybody that it's due out in a couple of weeks. So I wanted to take a step back for a minute and ask you to give an elevator pitch. For a lot of people around the table, they may not be that familiar with some of these secondary terms around impact investing. So the book is really the front page tells you about impact capitalism. So what do you really mean by that in your 30 seconds?

A: What I mean by that is we can't have a system that strives to make money alone. It has to make money and deliver positive impact. It has to do good and to do well at the same time.

Q: So do you think there are some sectors where impact investing just can't work? Is this something you are looking to apply across the capitalist system in general? Or do you accept that there may be some it's not suitable for?

A: I think impact investment has to work across the whole of our economic system across every company. Now, some companies will find it easier to deliver positive impact through their product than others. Clearly, if you're an oil company, and you are creating 40 billion worth of environmental damage a year just from your operations as Exxon is, your activity by necessity is going to be a polluting one. But you can compare Exxon with BP. And BP only delivers an inverted commerce $8 billion of damage a year and Shell 12 billion a year.

And so if it's not an industry where you can deliver positive impact, over time, investors will shift you from your habits to new ones, and so perhaps push you much faster than than you would otherwise have gone into new sources of clean energy within the pharmaceutical industry, within the industry around education and so on and so forth. There are apparently more attractive opportunities to create impact. But look at what Tesla did in the automobile industry, by shifting the whole of the automobile industry to electric cars. So I think once you begin to measure impact, Carly, you begin to guide the activities of companies in the direction of minimising harm and creating good.

Q: Learning the accounting system was traumatic enough the first time at business school. So I hope no accountants on the call are panicking. But on that note, are you suggesting a way to help companies reform? Or are you kind of a proposing a survival of the fittest as this changes arguably in the true form of capitalism?

A: So what we saw with technology is that technology really created the water on which every ship had to sail. There isn't a single area of activity in the world now that has not been touched by the internet and devices and other aspects that technology have changed in our lives. I believe impact will be the same. I believe it'll be another layer of water on top of technology, which is going to disrupt the business models of companies, companies that don't have impact integrity, that can't prove that they are doing good and doing well at the same time will lose consumers, will lose talent, will lose investors, will end up being regulated and being taxed.

And those, on the other hand, that are able to show that they can deliver positive impact will have all of the benefits of attracting the talent, and the investors, and the consumers, and being given incentives by government to continue to deliver impact. So it's going to change business as much, and that's what the book gives examples about as much as technology did.

Q: So historically, government, business, and philanthropy sectors were siloed. In fact, in the UK, we called it the third philanthropy, the third sector. Conceptually, impact investing to a certain degree looks to break down those silos. What can we expect when cross-sector collaboration becomes the norm?

A: So a lot of the tools of impact investment are built on cross-sector collaboration. So if you look at the example of the Peterborough bond, a government can create big outcomes funds to pay for the results of similar bonds that are addressing homelessness, or dropout rates from school, or diabetes, people being pre-diabetic, becoming diabetic, trying to prevent that and so on and and so forth. But philanthropy is going to change, too. Philanthropy is going to focus more on achieving outcomes rather than just funding activities.

And so part of our grant programmes as philanthropists will go to outcomes funds, which only pay as the government did, but philanthropists will play the role that government played in the Peterborough bond. When the results are achieved, so the global steering group for Impact Investment, which I chose creating a billion dollar philanthropic and aid fund for education in Africa, where African governments will also put up 15% of the money. The aim is to help 10 million children. Once you sign a contract with an outcomes fund, you can go and raise social impact bond money or development impact bond money in this case from investors who say, "Fine, if you achieve that, the targets in the contract and you get paid, you can pay me back with a return". That is a one aspect of where philanthropy is going to go.

The other aspect is a lot of foundations that have big amounts of capital, like The Fourth Foundation, are going to stop polluting and creating social issues with investment capital, and then using their grant programmes to try to remedy the problems they've created or help to create. And you're beginning to see The Fourth Foundation being the first billion dollar allocations to Impact Investment now.

Q: So philanthropy traditionally operates in areas that are market failures. So is it a contradiction to say that some of the business solutions that philanthropy could traditionally support impact investing could now look at?

A: I think philanthropy would continue to tackle the more difficult issues. There are many things where the improvement can't be measured, the cultural area is one. And philanthropists will continue with their grant programmes. But when you're trying to tackle social issues, philanthropy will begin to use these new tools. And it just is an evolution in thinking. And philanthropy will begin to measure the outcomes that its grant programmes achieve wherever it it can. That empowers the organisation that it is funding because if philanthropists can measure the effectiveness of the money they're giving away at improving lives, then they will continue to fund these companies like we do businesses for much longer periods of time.

Q: So in terms of corporate social responsibility, a lot of companies look at that as a way to offset perhaps some of the damage they do. Do you think that companies that have a big CSR budget or themselves do a lot of philanthropy, does that count as impact investing?

A: No. Corporate social responsibility, Carly, has really involved giving money away in ways that enhance the brand and the relationships of companies. It has not been directed to solve social issues. If we can get companies to use their CSR money as we're trying to do in India, where the government requires companies to put 2% of their profit into CSR grants, which raises between 2.5 and $5 billion a year in the normal year, if we can manage to get that CSR money to go into outcomes funds for education, for recidivism, for homelessness, then that CSR money will have a much greater effect than it has today.

Q: So academia can often be a litmus test for how much an idea has taken hold. I know that some universities, you can now learn about impact investing and you can engage, but it's not in the core curriculum of MBA programmes, and it's not become a necessity for our future business leaders to have to engage in that.

A: Yeah, that's no longer the case at Harvard Business School. 40 to 50% of the students are following courses on impact investment or re-imagining capitalism.

Q: But it's a choice, correct? Like they don't have to do it in the same way that they'd have to look at accounting. So would it be an option to encourage even to start with Harvard as our alma mater, that in the same way you have to do finance. At Harvard, you have to look at how people ended up in jail for going wrong with their corporate lives that actually also impact investing could be an option.

A: I very much hope that impact investing and impact generally, the subject of impact capitalism will become a core requirement rather than an elective. But it's already impressive to see how big a percentage is going to these courses. And these are relatively new courses over the last four or five years or so.

Q: One of the challenges that I know people often find in impact investing is, they understand the concept at a high level, they are keen to pivot their company to be more conscious or to understand perhaps how their pension fund is operating, but there's not yet, and I know that this is something that GSG had been working on, but there's not yet a standardised and kind of professional set of criteria. Anybody nowadays can stick the word impact in front of something and really claim they're having an effect. So what would you say to those people who struggle with that?

A: Well, you're absolutely right. There is a lot of impact washing, as we call it, companies claiming to be delivering positive impact without measuring any of the negative impact, which sometimes dwarfs the positive impact they deliver. The only way, Carly, to deal with that is through impact measurement. When you can look at the tonnes of CO2 that are emitted by a company, and you can value them, and you knock it off their bottom line, or when you look at the gap between their employment of Black people or other ethnic groups and the demographics of the areas surrounding their facilities, and you put the lost salaries to these communities together, it gets to billions, which then get knocked off their bottom line.

They can no longer be impact washing then of saying, "I have a 6 billion wage bill, I'm creating huge jobs," when in fact you would knock $4 billion off for different aspects of diversity and wage inequality and so on so forth, which is the case with Intel, for example. $6 billion wage bill, by the time you've started to do accounting for their employment impact, you're not $4 billion off their profit.

Q: So through either the global steering group or other initiatives that you are involved with, are you helping companies pivot to this? And what kind of timeframe do you think is realistic?

A: Yes, indeed. And if you read the book, as I very much hope all of you will do, you'll see examples of companies, Danone in France being the leading example that have really taken all these issues very seriously. Companies like Danone, IKEA added as among big companies have ... The Chobani in the yoghourt business in the United States have addressed some aspects of social impact. Unilever is another company. I don't believe, however, that the majority of companies will go willingly in this direction.

Any more than the majority of companies would've gone to standardise the accounting principles in the 30s and to the use of auditors. It is the changing preferences of consumers, and employees, and investors, which make it clear to companies that they have no choice. If they don't go in this direction, then it'll have a real cost in terms of the value and the profits of their companies. And that's why I think it's so important that governments now at the time when they are short of capital and need capital to deal with the social issues arising from high unemployment rates out of COVID, large percentages of the unemployed being unable to go back to their previous job, that they mandate that companies must publish impact weighted accounts.

Q: So you mentioned the tech sector, and I wanted to talk a little bit about social media. Social media companies nowadays, let's take Facebook as an example, have ways that they talk about their impact. And their impact is not just on the financial element, but they have a huge impact, for want of a better word, across society. So how do you measure with Facebook, for example, what their impact is? And what tools would you use?

A: Well, it's a much tougher example, obviously, a much tougher product to measure.

- An easy ride, Ronnie.

- Sorry, no. But it is possible to start thinking about it and to begin to measure it. So I can't give you an example now of how you would approach Facebook's product impact, but obviously part of it would have to do with whether it is inciting or helping people to incite, whether it is affecting our political system. And there will be discussions about what the right accounting principles are for these types of social issues. But in finance, we have issues like that.

When you look at the sales of a software company, which is selling five-year contracts, and you have to decide how much of that five-year contracts revenue you take into the first year, companies are arguing about whether the future cost of maintenance is going to be so significant that they can't take most of the profit in the first year. So there are lots of judgmental issues in financial accounting, too.

Q: So I'd be remiss if we didn't now look at all of this through the lens of COVID. So, if you had an appendix to add at this point, what would you add into the book in light of what's happened?

A: So I mentioned in the book, in the letter to the reader, that I think COVID is going to create huge frustration with our system if we don't have a just and sustainable recovery. So we have to seize the opportunity now to bring impact to the centre of our stimulus measures. What does that mean? It means not just worrying about the big employers and the big financial institutions, but worrying also about the one-parent families, about the unemployed who need re-skilling in order to find new jobs in different companies, about those who made homeless through this crisis, about kids that are dropping out of school and they're going to end up having blighted lives because of it.

We have to begin now to address the most vulnerable in our societies. And it's very difficult for government to find the funds to do everything, but they do have the opportunity to provide incentives for investors to get involved in the tools, which impact investment has developed, such as those that that we have described, and to help change our system by bringing measurable impact to the centre of our economic system alongside profit.

Q: So there's a TED Talk that does the round from a couple of years ago where Bill Gates talked about the effect of a pandemic and how the world wasn't ready. In a post-COVID world, is there an opportunity for social impact bonds or another tool to encourage the continued focus on preventing future pandemics?

A: Absolutely. One of the proposals the GSG, the global steering group, has made is that if we want to constrain the effects of lock downs and free our economies, then we have to engage in testing. But the testing is not the province of only a few large companies as vaccines are. There are hundreds of companies experimenting with tests for COVID across the world, many of them entrepreneurial. They need to have orders at a given price that reduce the risk for the company in the event that COVID passes or vaccines are found earlier or whatever. And they also need investment capital to put production capacity in place.

So we've suggested the $10 billion programme of what are known as advanced market commitments and $10 billion of government guarantees for investment in these entrepreneurial companies where the return depends on the number of tests that have been delivered. The next pandemic will require testing. We've learned that if you don't have tests early on, it's very difficult to contain. And so we have to build up our capacity to develop tests and to produce tests during this pandemic so that the next one, when it comes unexpectedly as this one did, will not find us, caught unawares.

Q: Do you think there are areas which six months ago wouldn't have been considered impact investing, but now during COVID are, such as supporting your local neighbourhood restaurant?

A: So impact investment is investment that has the intention to deliver impact, measurable impact, as well as profit. Intention to help alone without the measurement does not count as impact. So the ESG investment today does not count as impact investment because if you don't measure, you can't manage, and if you can't manage your impact, you won't deliver the maximum impact. I think what you're referring to, though, does influence the growth of impact investment.

COVID has created a sense of solidarity, a sense of all of us being in the same boat and of needing to help one another to get through this. And I hope that the shaking of our habits and beliefs and the nurturing of this sense of solidarity will help to carry us through into the post-COVID changes that we need.

Q: Are there enough social entrepreneurs to respond to this new global system that you are encouraging?

A: Undoubtedly. You read about them in in the book. I give a fantastic example from Israel where I sit of what I consider to be the unicorns of the future. When a company's worth a billion dollars, we call it the unicorn, which it's a startup that gets to that. Well, we are defining an impact unicorn as a company that also improves a billion lives. And I give the example of OrCam, which is a company that helps sort of blind to see. Basically, a blind person can wear a pair of spectacles which whisper into their ear the page of the book they're holding, the newspaper they're holding, the bank note in the hand.

Now, it's a company which has raised $100 million, the last round was at a $600 million valuation. And it helps 35, potentially its marketplaces, to help 35 million blind people and 250 million visually impaired people. But the new breed of impact entrepreneurs ask themselves a question, how could this technology help the maximum number of people on the planet? And you get a very surprising answer when you think like an impact entrepreneur. The answer you get is, what if you gave these spectacles to the 800 million illiterate adults in the world, what would that do for their lives, for the economies of their countries and even for the global economy to bring 800 million people from being completely illiterate to being able inverted commerce to read? There's no shortage of entrepreneurs today who seek to improve the world, as well as to make money. I think it characterises the new generation.

Q: So a lot of companies have a fiduciary responsibility and their board and trustees have to have to kind of hold onto that. How do we reinterpret that fiduciary responsibility to allow for impact investing rather than just having to maximise returns?

A: So we've got new forms of companies, the benefit corporation in the United States, whose goal is not to maximise profit, but to balance the making of profit with its social and economic and climatic contribution. We are also seeing discussion now about the role of directors and their responsibility for the environment and for society. And I think over time, we will begin to chip away to the legislation of the last 40 years, which basically said that the purpose of a company is just to make money, the purpose of business is business. That was the Milton Friedman ideology if you like, but it no longer works. So we are going to see new legal forms, and we are going to see regulation of bad industries and regulation of bad companies.

Q: So to return to one of the earlier examples you gave where you talked about the prisoners in the UK and that example of impact investing. How did you measure how successful your efforts were, and particularly around the re-offending rate?

A: So the government in the contract it signed with the investors basically set the percentages relative to a group of prisoners who were not helped, a control group. So if you reduced the number in the group you were helping, that was going back to jail by 7.5% relative to a group that hadn't been helped, then you qualified for payment. So there are mechanisms in all these social impact bonds of one kind or another for making sure that whoever is paying is paying for real improvement. And the numbers are audited just as the numbers of a business are.

Q: So you touched on an oil company and how someone like BP could look to have a positive impact. Let's take something where really, arguably, all they do is harm, cigarettes, for example. How would you respond to that?

A: So first of all, I I didn't say that BP created positive impact. I said that it had 8 billion of damage relative to Exxon's, 40 billion of damage. But I'm not in favour of fossil fuels. And the BP should be investing now in clean energy and moving away from fossil fuels, basically. Tobacco companies are one of the worst examples of negative impact that we can find because it's addictive and harmful. And so the product impact in impact weighted accounts will be hugely negative.

Now, it may be that the tobacco company also delivers some positive employment impact because it's employing farmers and sustaining their livelihoods at acceptable levels of wages and so on and so forth. But the net impact of a tobacco company will always be massively negative.

Q: So not to give a spoiler for those who haven't yet read the book, but you conclude by talking about three next steps to change the global system. As we look to wrap up, I just wondered if you could briefly talk us through those next steps and why you feel now is the time.

A: Well, the most important thing now is to shift government thinking to impact, to outcomes, to get government to appoint ministers that are responsible for impact. The Cameron government incidentally had one, which is how we got the G8 taskforce going, created Big Society Capital and so on. And government has to start using outcomes funds and attracting investment capital to fund organisations in the charitable sector and in business, which are seeking to deliver solutions to our problems. The second thing is that we have to get companies to become transparent about the impact they deliver.

If companies can lie about that impact just as before 29, they could lie about their profit. And if you can't compare their performance in a dependable way, then we are always going to find ourselves in a situation of green washing. And finally, impact entrepreneurs led the tech revolution. It happened because, contrary to everybody's expectations, you could make a huge amount of money from backing young people who were often university dropouts and who wanted to change the world. And contrary to expectations, they overtook the giants that had been leading their industries sometimes for 100 years.

And I think impact entrepreneurship has to be encouraged. We are not going to create jobs coming out of this crisis, Carly, with big business recruiting more people than it had before. Businesses have adjusted to COVID by managing with fewer people and that's going to stay. And so we have to provide boosts now to startups and to growth ventures that can bring innovation and create jobs. If we do these three things, we will come out of this crisis with something that is a new, new deal, an impact deal, if you like.

Q: So you talked about the environmental and social impact space. Do you also feel that there's an opportunity for the health and wellbeing of employees and consumers to be taken into consideration as the sector across the board changes?

A: Well, health of employees comes into employment impact. So all of these things get measured if you have a proper impact accounting system. So I think if we look back at a world where companies could say what they wanted about their profit more or less, calculated according to the principles that suited them the best and nobody verified the numbers they had, well that's the world we are in with regard to impact. We changed it with regard to profit. Now, let's do it with regard to impact.

Q: So in terms of the high unemployment levels we now see around the world, and you briefly touched on that, do you see a way of upskilling the unemployed to make them suitable in this impact revolution?

A: Absolutely. I think we have to reskill. Reskilling is going to be part of our society. Technological change comes so quickly now. We can no longer live with the notion that we can take on a profession and just stick with it all the way through without any risk getting. Obviously, there's some professions where you can do that, but most professions, you can't. Even accounting, you're going to have to shift from measuring profit to measuring impact.

So even accounting is going to change. And the type of reskilling that we are able to do using technology and so on and and so forth is hugely amplified. So if you leave it to impact entrepreneurs to devise new forms of business, to recruit people who have been skilled with the skills that those new businesses require, we have a chance of being able to absorb a chunk of the unemployed. Leaving people with their traditional skills is basically to condemn them to permanent unemployment.

Q: So to close, this book is a call to action. You finished by saying it's time for us to raise our voices and make an impact through our choices. So you've got a call together here now from people all over the world in different sectors, different spaces. What action would you encourage this group to take in order to help you achieve this?

A: So I think each of us on this wonderful call has a role to play in the impact revolution, whether it's as a consumer buying the product that each of us has to buy, whether it is as an employee of a company making a choice of where we want to work, whether it is as a pension saver, there's 38 trillion of investment in pension funds today. And I doubt that 1% of us on this call... If we're working for companies, know what our pension funds are doing with our money. They're polluting, and they are creating social issues without realising it.

So even if you're a a pension saver, you have huge power now to influence your investment managers to make impact investments and to avoid investment in harmful companies. If you're a business leader, you have huge power to create impact through your product, and through your employment, and through your operations, both social and environmental impact. And if you are a philanthropist and you begin to support the impact movement, if you begin to use the tools of impact investment to redress some of the social wrongs that we are addressing through traditional grants, so today you have a major role to play.

And if you are a government official, and you begin to incorporate outcomes into your thinking, you can be part of this revolution, too. There has been a notion that somehow if you're trying to do good and do well, you're going to make less money. As a seasoned investor, I can tell you that the evidence I see is that you make more money by going to risk return impact than you do by going to risk and return only.

Q: So just before I hand over to Wendy, I wanted to to ask you to return to where we started which is, what do you define impact as? You've encouraged everybody to take a step towards it, but what is impact to you?

A: Impact for me is the effect we have on the lives of other people and on the environment of our planet. And impact investment is having the intention when we invest to achieve a social or an environmental good, which we measure as well as to make a profit.

- Thank you, Ronnie. And thank you very much for that opportunity. Wendy, I'm going to hand back over to you.

- Thank you, Carly.

- Thank you, Carly. And Ronnie, thank you for that action orientated, inspiring talk. All of us can take action in our own way to help our society to do good and to do well. Your dedication for the last two decades to this space has had a global effect. You have created a true movement, which is gathering pace. Now, more than ever, we need to see how we can improve the world's inequality and use the tools of impact investing to do it. We look forward to being your soldiers to take this effort forward, and hope that our children and our grandchildren do business in a world where corporations understand the necessity of doing good and doing well. So Ronnie, thank you very much for this fascinating hour, for giving us your time. I know that your book is waiting for me in New York. I'm so looking forward to reading it. And if I could say to all these participants that are here tonight, go on to Amazon, order the book, and we will all together make our impact. Thank you, Ronnie.

- Thank you very much.

- Thank you. Goodnight.

- Goodnight, everyone. Wonderful to be with you.

- And also download Sharon's movie, "Incitement". It is well worth watching. It is terrific. Thank you. Night, night.

- Night, night.