

Responsible capitalism in the US:

Still pursuing green
(part one)



Rathbones
Look forward

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Fake meat is just a headline-grabbing focal point for real ethical changes in the US. In the first of three chapters, Rathbone Global Sustainability Fund manager David Harrison explains why responsible capitalism is ascendant in America.

Responsible capitalism is running hot over in the US, and it looks like it isn't simply a flash in the pan. In November I took a trip across the Atlantic to meet some current and potential investments on their home turf. I found a whole society that is much more aware of the environmental and social costs of consumption and doing business than I have ever seen in America. Even more than my last trip six months earlier.



David Harrison
Fund Manager

Rathbone Global
Sustainability Fund

I first started working in responsible investments in the mid-2000s. Back then, responsible investing – and environmental, social and governance (ESG) in particular – was a niche corner of the funds world. Mostly catering for charities and other institutional investors, this method of assessing companies was little known, especially outside Europe. To increasingly see American companies address environmental and societal issues is fantastic. But while it's great to see this growing wave of sustainable thinking among American businesspeople, I reckon you need to be careful of the hype – some questionable businesses are trying to 'greenwash' themselves to fit in with the sustainability mood.

As you would expect, the West Coast leads the way in sustainability, both among businesses and consumers. But during my visit I was surprised by just how much the East Coast and Midwestern centres have caught up. Reusable coffee cups are everywhere, more and more taxis are hybrids, and there were a few electric buses too. I saw quite a few cyclists as well. This is big news in Illinois which, along with neighbouring Michigan, is car country. There are other changes in consumer behaviour too.







Faux meat companies like Beyond Meat have captured attention, but that's just the tip of the iceberg. There are meat alternatives, but they are only part of a general shift toward healthy eating and living that is particularly prevalent among the young. When I was a teenager, cigarette advertisements surrounded rugby pitches and the after-match feed was always burgers and chips. What a strange time. Now, younger athletes are more likely to have protein-powder milkshakes and remain teetotal.

After a slow, years-long wind-up of gluten-free options on menus and supermarket shelves, these options are now expected wherever you go. In the US, David

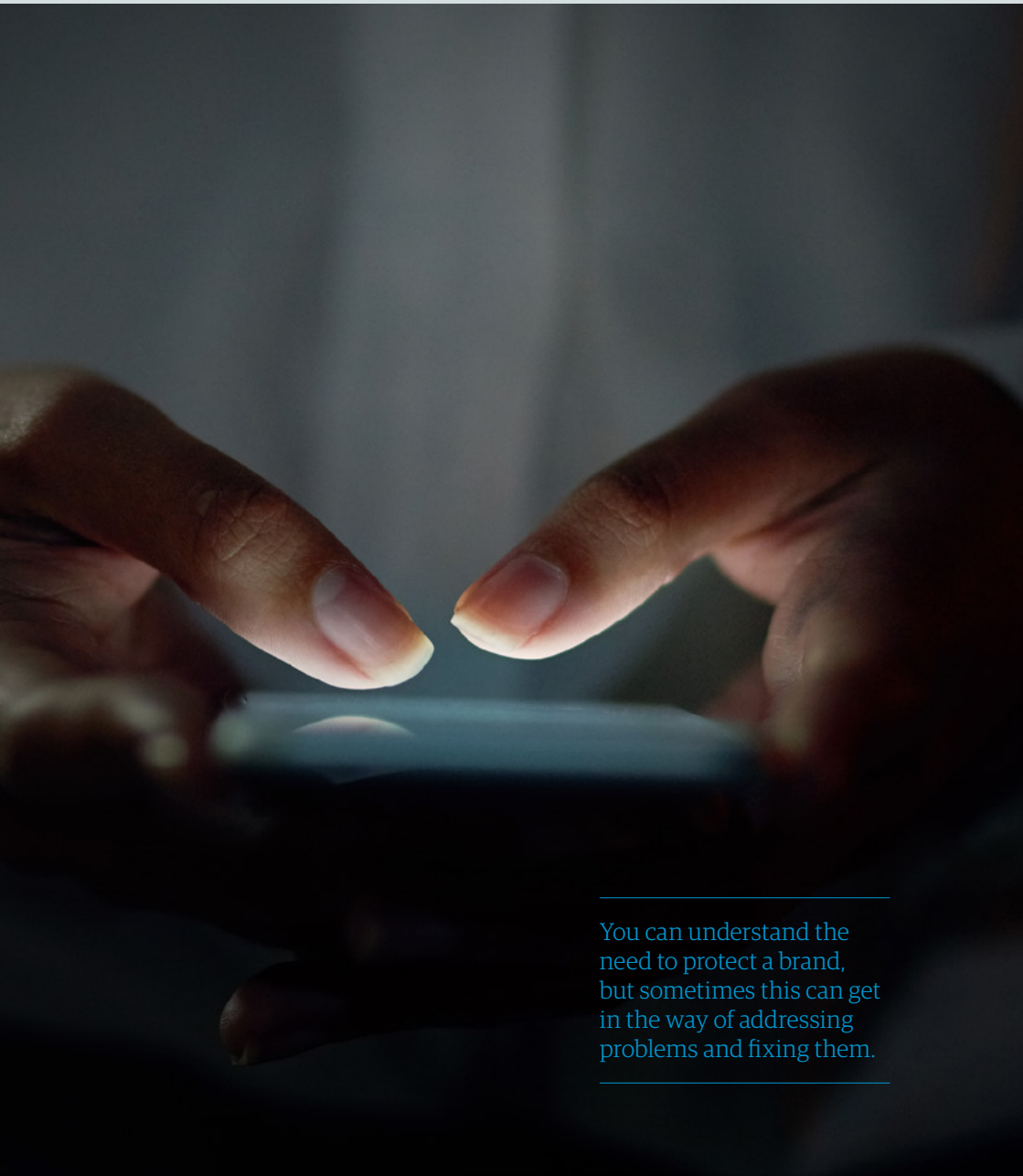
Coombs, our celiac head of multi-asset investments, had an easier time with ordering food than I did. Vegan options have proliferated, albeit later, at a much more rapid pace. People used to be vegetarian for taste reasons or because they didn't want to be party to the death of animals. That has progressed now to a wave of people who understand the environmental effects of intensive animal farming – and the cruelty of some producers. Most menus in the States had calorie breakdowns too.



Blinded by the glare of transparency

Driven by the internet, our society has become radically more transparent – both online and in the real world. Most questions can be answered by simply asking the supercomputer in our pockets and the misdeeds of people and businesses can be called out and spread around the world in minutes.

This is a blessing and a curse. While it means that people can know more about the people, businesses and charities with which they interact, it also makes it easier for misinformation to spread, especially when coupled with new technology that can seamlessly alter photos, video and audio.



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There's another problem with the bright, white glare of transparency. Because of the massive PR damage that can be done by an ill-judged unguarded comment or

perhaps a legitimate policy that some may disagree with, it can lead business and political leaders to waffle and obfuscate. You all will have seen politicians on TV blatantly ignore an interviewer's questions and parrot the sanctioned party line. I have definitely sat through more than my fair share of C-suite interviews where companies have ignored questions they don't like or trotted out barely credible arguments about their operations.

You can understand the need to protect a brand, but sometimes this can get in the way of addressing problems and fixing them. It's a short-term stopgap instead of a long-term solution. And that can hold companies back from improving their impact on the planet and the people on it, as well as the bottom line. That's why we go to visit these companies. We want to make sure they aren't just fobbing off necessary issues, ensuring that they are truly on board with doing business the right way. We want to be able to talk to the managers of the businesses that we invest in, knowing that they are listening – that they want to hear what we and other investors like us have to say.

While in the US, I met many interesting businesses that offer solutions to some of our planet's most pressing problems. There was an online platform that harnesses all of our 21st century multimedia technologies to help kids learn, a bleach manufacturer that has implemented ESG processes to all of its operations and a Silicon Valley monster that is waging a war on the corporate world's mountains of paper and filing habits. There were so very many more too – 16 in total across four cities in five days.

I had quality conversations with some, so-so discussions with others and terrible encounters with a couple. What you would expect really when out searching for the very best businesses. I returned exhausted but with a bunch of companies that I'm keen to explore further. Some of them I may add to my portfolio in the coming months.

Get in touch

For more information, contact the team on 020 7399 0399, rutm@rathbones.com or visit rathbonefunds.com

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