

Adding "Resilience" to the ESG Conversation

Sir Richard Branson has been living and promoting this type of capitalism for over a decade. His motto, "do good, have fun, and the money will come," highlights how he runs his businesses. Branson says he puts employees first, customers second, and shareholders (a distant) third. Branson was a mentor to PayPal CEO Dan Schulman when Schulman served as CEO of Virgin Mobile from 2001-2009. Schulman has taken to heart much of what he learned from Branson, the most important of which is that a company's key stakeholder is its' employees.

The pandemic put a strong spotlight on the income inequality gap, which has forced leaders to rethink the idea that a company's sole purpose is to maximize shareholder profits.¹ "The 2020 World Economic Forum – an annual gathering of thought leaders, CEOs, economists, and heads of state – was dedicated to this exact conversation. Attendees were asked: How do economic leaders embrace stakeholder capitalism, the idea that a company should create a positive impact for all stakeholders?"²

In December 2020, Schulman told Business Insider that all stakeholders are important. But the way he sees it, PayPal's success stems from the success of employees. *"With happy employees, we can serve customers better, and when we serve customers better, regulators are happy, and if customers are happy and regulators are happy, then obviously shareholders over the medium term are happy as well,"* he said.

"Two years after Schulman spun PayPal out of its parent company, eBay, he started hearing stories that some customer service employees were using a food bank to feed their families. Almost immediately after that, he created a \$5 million employee relief fund." While Schulman expected some employees to apply for the fund to weather unexpected life events, like a car accident, or an unforeseen surgery, he was surprised to see the number of employees asking for money simply to help pay their bills. "He decided to conduct a financial wellness survey of his employees and found out that some 60% of employees surveyed struggled to make ends meet."

These results did not measure up to Schulman's employee-first mentality, so he decided to start a program to increase employee benefits and wages. After analyzing cost of living, transportation, housing, and other essential expenses, PayPal executives raised wages by an average of 7% and cut healthcare costs by 65%.

"In addition to heavy tech investments the company has made, Schulman said that the company's employee financial wellness program has set PayPal up for the success its' seen in 2020."

Employee productivity and customer satisfaction have jumped; staff turnover is down. "I believe all of that comes from having passionate, dedicated, caring employees. And I think that is reflective of what is happening in our share price well, and what has happened in our ability to serve customers," Schulman said.³

Employee productivity and customer satisfaction have jumped; staff turnover is down. "I believe all of that comes from having passionate, dedicated, caring employees. And I think that is reflective of what is happening in our share price well, and what has happened in our ability to serve customers," Schulman said.³ It is no wonder that PayPal has been one of MWM Asset Management's bestperforming companies and currently sits as our largest holding in the Dynamic Core Strategy.

The ideas behind stakeholder capitalism also permeate the widespread discussion surrounding ESG investing. Environmental, Social, and Governmental (ESG) consciousness is now front of mind with consumers, investors, and Americans as a whole. There is no doubt that companies like PayPal are seeing a positive impact on their bottom lines from their focus on being good corporate citizens and good businesses.

Judith Rodin and Saadia Madsbjerg, the authors of "Making Money Moral," and formerly with The Rockefeller Foundation (the organization that coined the phrase "Impact Investing"⁴), contend that there is a fourth element of corporate conscientiousness- Resilience. Covid-19 warned us that more crises with devastating human and economic consequences could be around the corner. This makes the need to build capacity to prepare more effectively, rebound more quickly, and even achieve transformation more urgent. Resilience is quickly making its way into corporate and investment conversations.

We are very aware that our industry is overwhelmed by abbreviations, but nonetheless, we contend that ESGR should be the lens through which impact investments are viewed. With resilience considerations embedded in investment decisions, we believe the financial sector will be far better positioned to act as a catalyst for the creation of a world that is safer, stronger, more equitable, and more environmentally sustainable- in short, the kind of world in which we all want to live.

Rodin and Madsbjerg pose that resilient companies rest on **five critical pillars** that are buildable and measurable:⁵

- + Willingness and ability to assess and absorb new information and adjust quickly using monitoring and feedback loops
- + Diverse and redundant backups and supply chain alternatives to access if one part of the system is challenged
- + Seamless information sharing, decision-making, and transparent communication that ensures coordinated action across their entire operations
- + Strong self-regulating capabilities, so a failure in one part of the system can be delinked, preventing its spread, and permitting safer rather than catastrophic failure
- + An ability to be nimble and adjust quickly to changing circumstances by developing new plans and taking new actions"



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- ¹ Business Insider, PayPal CEO Dan Schulman shares the lessons Richard Branson taught him about leading a company and why he thinks more companies need to adopt it by Marguerite Ward & Shannen Balogh, 12/30/2020
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- ⁴ Business Insider, PayPal CEO Dan Schulman shares the lessons Richard Branson taught him about leading a company and why he thinks more companies need to adopt it by Marguerite Ward & Shannen Balogh, 12/30/2020
- ⁵ The Rockefeller Foundation, Bringing Scale to the Impact Investing Industry by Saadia Madsbjerg, 08/15/2018 (www.rockefellerfoundation.org)
- ⁶ Making Money Moral: How a new Wave of Visionaries is linking Purpose and Profit by Judith Rodin and Saadia Madsbjerg, 02/09/2021

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