Special Report

Culture-minded investors: Their inspiring way

Pascale Thumerelle (2020)
Culture-minded sustainable investors: Their inspiring way

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In this exceptional period of the coronavirus pandemic, culture is coming to the rescue of confined citizens. Paradoxically though, culture seems under reported among priorities being taken into account for the rebuilding of the post-Covid-19 world. The cultural industries, as well as the activities and practices directly associated with the creation, production, distribution, and enjoyment of central cultural content,¹ are rarely invited to the table of influencers elaborating the future economic, social, and ecological pact, thus neglecting the cultural dimension of this hoped-for new way of life.

Artists fear that culture is the last wheel in the lockdown carriage and are multiplying calls to public authorities for financial support and the reopening of cultural venues as soon as possible.

Their cause, heard and supported by local, national, European, and international institutions, is given greater resonance when taken up by representatives of the medical profession. These heroes engaged in the daily struggle against Covid-19 are well aware of the benefits of culture for individual wellbeing and social cohesion.

Professor François Bricaire, an infectious diseases specialist and member of the French Academy of Medicine, was asked to lead a working group and interview about thirty cultural personalities in order to submit a report to the French government on 1 May. In the report,

¹ These include heritage, visual arts and crafts, books and press, audio-visual and interactive media, cinema, music, and design (UNESCO Culture/2030 Indicators).
Proposals for a process of reopening performance venues, filming and rehearsals, Prof. Bricaire firmly states, “Performance venues must be part of a deconfinement plan because they are an essential good”. The professor goes on to explain that cultural activities are “a response to the essential need of populations to cultivate, inform and entertain themselves, as well as the need for a culture of peace. They bring certain territories and places to life through the tourism they generate. But, more than anything else, they are necessary for the joy of life of all generations and for social cohesion”.

This conviction that culture is part of the common good and plays a fundamental role in building harmonious societies based on human dignity is also shared by a number of responsible investors, albeit few.

This note aims to highlight reasons why these pioneers have integrated culture within their sustainability strategies and how they are delivering on their commitments.

Building better futures

‘Human dignity’ is explicitly mentioned in the introduction to the Principles for Responsible Banking, launched in September 2019 in New York during the annual United Nations General Assembly:

“Banks play a key role in society. As financial intermediaries, it is our purpose to help develop sustainable economies and to empower people to build better futures. […] We believe that only in an inclusive society founded on human dignity, equality and the sustainable use of natural resources, can our clients and customers, and in turn our businesses, thrive”.
These statements, approved by 130 banks from 49 countries, representing more than US$ 47 trillion in assets, echo many of the previous commitments made by the international community. For more than 50 years, UNESCO has emphasised the importance of culture for social cohesion in its various Declarations or Conventions:

“Culture is the essential condition for genuine development” (Mexico, 1982);

“Principle of sustainable development: Cultural diversity is a rich asset for individuals and societies. The protection, promotion and maintenance of cultural diversity are an essential requirement for sustainable development for the benefit of present and future generations” (Paris, 2005).

The sustainable finance and culture initiative

To facilitate the link between the world of finance and the world of culture, the Dialogue of Civilizations Research Institute (DOC) and Respethica launched the Sustainable Finance and Culture Initiative last year. At the DOC Rhodes Forum (October 2019), the Rhodes Call to advocate introducing culture to the sustainable finance agenda was drafted.

In order to better share this initiative, a set of interviews were planned with committed investors to understand the extent to which they pointed to the contribution of culture in their sustainability vision and investment practices.

Within the framework of this study, ten banks were selected based sustainability-commitment criteria. A request for an interview supported by a questionnaire was sent out and from this selection,² four provided positive feedback: Triodos (Netherlands), La Banque Postale (France) – both signatories to the Principles for Responsible Banking – Banca Etica

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² Among the ten selected banks were seven signatories to the Principles for Responsible Banking; five European and two North American.
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(Italy), and Merkur (Denmark). These four banks have different histories and profiles but each has included culture in its responsible investing thinking, whether directly or indirectly.

It is also worth mentioning that Triodos, Banca Etica, and Merkur are members of the Global Alliance for Banking on Values, an independent network of banks using finance to deliver sustainable economic, social, and environmental development.

The purpose of the study is to convey some of the answers to the three main questions posed to these banks:

Why did you include culture in your sustainable development strategy or in your questioning as a responsible bank?

How do you assess the impact of culture in your results and strategy?

What are the reasons why many investors do not consider investing in the cultural sector?

Culture and sustainability: Why does it make sense?

Regarding the first question, Triodos Bank stands out as a pioneer. Established in 1980, Triodos, with €17.7 billion in assets under management (2019), has identified and integrated culture as a driver of positive change, along with social and environmental concerns, ever since it was founded.

“We finance arts and culture because they contribute to society by connecting ideas and people, and reflecting, stimulating and encouraging positive change. Arts and culture play an important role in the personal development of individuals and the cohesion...
of society as a whole. Creative expression provides new perspectives, inspires and connects people”, Triodos Bank’s Sr. Communications Officer Marcel Proos said.

Triodos Bank’s annual report even talks about the value generated by culture when saying the following:

“We only finance and invest in companies, institutions and projects that add cultural value and aim to benefit people and the environment”.

This recognition of cultural value is particularly purposeful when Triodos states that its main mission consists in helping “create a society that promotes people’s quality of life and has human dignity at its core” – ‘Human dignity’ again.

“We have not identified culture explicitly as a specific driver but have associated issues related to culture to our commitment to promote human rights”, said Luisa Florez, Head of Sustainable Thematics at La Banque Postale Asset Management (LBPAM).

A subsidiary with 70% of shares held by La Banque Postale, a French state-owned public limited company established in 2005, LBPAM is committed to the development of local territories and the energy transition. With €232 billion in assets under management (2019), LBPAM was the first French investor to announce in 2018 that it was to become a “100% Social Responsible Investor (SRI) by the end of 2020”, Luisa Florez said. “It means we are integrating social and governance criteria into our investment decisions in a systematic and measurable manner”.

Luisa Florez, Head of Sustainable Thematics at La Banque Postale asset Management
Companies are evaluated in accordance with practices and business models that generate opportunities and risks within the ‘GREaT’ approach: responsible Governance; sustainable management of Resources; Energy transition; and the development of Territories.

“Under the ‘R’ – the sustainable development of Resources – criterion, human rights and working conditions are given a prominent place”, Luisa Florez said.

Banca Popolare Etica is a cooperative bank created in 1999 as a result of a participative process realised by almost 12,000 shareholders (citizens and non-profit organisations) that helped Banca Etica in collecting the share capital necessary to begin operations as a bank (over €6 million). Today, Banca Etica is made up of three entities: Banca Popolare Etica, which has 43,695 shareholders, 95,064 clients, and €1.7 billion of savings collected and under management; Etica SGR, an asset management company with €4.5 billion of assets under management and 285,000 clients; and Ethical Finance Foundation. Etica SGR is the only asset management company in Italy that invests exclusively in socially responsible funds.

The position of culture within Banca Etica’s sustainability vision is linked to its history and values. The cooperative bank was established with the support of a number of committed individuals and organisations, who joined forces to create a credit institution based on ethical finance principles: transparency; participation; efficiency; and attention to the non-economic consequences of economic actions. Thanks to the savings accumulated, Banca Etica funds projects aimed at welfare, the social economy, environmental protection, innovation, international cooperation, and culture.
“Since its creation, Banca Etica has supported cultural projects. Because once you take an interest in the community, you understand that culture plays an essential role. Culture promotes the wellbeing of individuals and helps the community to strengthen its will to live well together”, said Ugo Biggeri, president of Etica SGR and co-founder of Banca Etica.

Simone Grillo, who works as researcher for the Marketing Strategy Office of Banca Etica, added, “Banca Etica invests in cultural projects because culture is an important instrument to promote inclusion, cooperation and economic development”.

In Denmark, Lars Pehrson, founder and CEO of the Merkur cooperative bank, has considered culture a cornerstone of his bank's business since its founding in 1982. “It is part of our basic thinking that culture is an essential element in a sustainable and just society. It is important to understand that we think of culture and education as belonging to the same sphere in society, since both are essential for the development of the individual personality”, he said.

With 34,299 clients and 7,637 shareholders, Merkur Cooperative Bank conducts its banking business on the basic understanding that every human individual is intrinsically valuable, possesses the potential to develop his or her talents in freedom, and has the opportunity to take responsibility for our society and our shared livelihood. The total value of its loans is close to €223 million.
From the very beginning of its 2019 annual report, the bank’s message is crystal clear, describing among Merkur’s most significant societal ideals, “Sectors for culture, research, health and education that enjoy the greatest degree of freedom possible when it comes to the content of services provided, and which are free of any business or political special interests. This is decisive for the capacity of individuals to achieve the best conditions to develop their abilities. We finance independent schools, boarding schools, and folk high schools, artists, instruments, music venues, cinemas, theatres and other cultural institutions, reputable alternative practitioners and medicine, care services, and more”.

How to assess the impact of culture?

Triodos, Merkur, Banca Etica, and La Banque Postale Asset Management assess the impact of culture in their investment practices through different approaches.

The evaluation carried out by Triodos takes into account the percentage of loans dedicated to culture (13% of the total amount) and the impact these investments have on people. In the 2019 integrated annual report, Triodos bank describes this impact through several key indicators:

“As a result of its lending and investments activity to cultural institutions across Europe, Triodos Bank helped make it possible for 25.8 million visitors (2018: 22.6 million) to enjoy cultural events during 2019 including cinemas, theatres and museums. This represents the equivalent of 35 cultural experiences per Triodos Bank customer. Triodos Bank and Triodos
Investment Management finance also helped approximately 3,600 artists and creative companies active in the cultural sector (2018: 3,300). Theatre, music and dance productions from creative companies were attended by 1.7 million people (2018: 1.2 million). New productions from the film and media sector financed by Triodos Bank (most importantly in Spain) were seen by approximately 9 million people (2018: 13 million). Triodos Bank and Triodos Investment Management also financed organisations that provided 4,600 affordable spaces for cultural activities such as workshops and music courses (2018: 4,000).

Marcel Proos acknowledges that there are some types of qualitative impact that are impossible to describe numerically:

"Instead we are transparent about all our loans and investments so stakeholders can judge the impact of this work themselves. We use stories and case studies to illustrate the impact this has on the lives of the people we finance. We hope the combined ways we communicate – numbers and story-telling – provide an increasingly rich picture of the impact of our activities".

Merkur’s CEO Lars Pehrson shares this rigorous process:

“It’s is part of the bank’s basic understanding of its role. We ‘support’ but we never ‘subsidize’. That means that the financial basis of the project must be solid, as for any other financed company or project. This can be in the form of cooperation agreements with municipality, size and composition of member base, or other indicators. We build on common sense and through personal meetings we get an impression of the enthusiasm and also the practical realism behind the project. So if we decide not to finance, it is often because those mentioned elements are not strong enough. The project must be able to pay the cost and risk premium for finance. We measure the funded cultural projects’ financial return through ROE (Return on equity)".
Banca Etica assesses the relevance of its investment choices based on its specific banking experience founded on relationships: the focus on people and organisations is guaranteed by a network of bank branches and financial advisors all over Italy. Ninety groups of volunteer members work to ensure the development of local relations, promoting the Ethical Finance culture and the possibility of actively participating in an economic democracy project. This network of volunteers take part in the selection of funded projects.

Simone Grillo describes the process in the following way:

“When a legal entity requests credit from Banca Etica, the Bank carries out two different evaluations: first, an evaluation of economic sustainability realized by our branches; second, a social and environmental evaluation realized by our volunteer local shareholders, trained by Banca Etica (in 2019, our volunteers have realized 1,296 social evaluations). For particularly complex cases, the evaluation is realized by the Bank”.

In 2019, Banca Etica granted credit to cultural activities worth €37.3 million, contributing to the realisation of 4,123 cultural events.

Merkur’s most important activity is lending. It dedicated 12.5% of its loans and guarantees to Education and Culture in 2019, which represents 482 funded projects. We can read the following in the Merkur annual report:

“When financing culture, the emphasis is on the financing of activities and projects that allow people to practice their creative abilities or to be stimulated by the creativity of others. […] Our definition of culture stems from the belief that free expression and creative stimulus are at the core of human development”.

These words remind us the 1982 UNESCO Mexico City Declaration on cultural policies, which states,
“It is culture that gives man the ability to reflect upon himself. It is culture that makes us specifically human, rational beings, endowed with a critical judgement and a sense of moral commitment. It is through culture that we discern values and make choices. It is through culture that man expresses himself, becomes aware of himself, recognizes his incompleteness, questions his own achievements, seeks untiringly for new meanings and creates works through which he transcends his limitations”.

Another way to assess the impact of culture in responsible investing practices consists of considering culture-related issues through the human-rights lens.

As early as 2001, La Banque Postale Asset Management (LBPAM), alongside the International Federation of Human Rights (FIDH), launched the ground-breaking SRI Fund Libertés et Solidarité, now called LBPAM SRI Human Rights.

Léa Bozzi, LBPAM SRI human rights analyst, explains,

“For nearly 20 years, it has made it possible to invest in an Impact Investing management, in favour of the defence and promotion of human rights through a unique partnership with the FIDH. This recognized association of public utility thus benefits from strong support for its actions thanks to the sharing of the income from the fund. The management is diversified, invested in euro zone bonds and up to 40% maximum in international equities. The investment universe is defined according to FIDH's analysis, in consultation with and under the supervision of an FIDH Ethics Committee. LBPAM then makes the selection. As a true partnership of conviction, together FIDH and LBPAM carry out the following actions of engagement with companies when human rights violations are observed during the analysis. The objective is to help these companies to implement the corrective measures”.

To be selected in this SRI Human Rights Fund, company assessments rely on about sixty indicators, including some related to issues such as gender equality, rights of autochthonous
peoples, the fight against discrimination, migrant and refugee rights, editorial independence, freedom of expression, and the cultural diversity of artistic expressions and content.

Describing its business model in its 2019 integrated annual report, Triodos highlights its purpose: “A values-based bank, enabling people to use money consciously to create a healthy society with human dignity at its heart”, thus recalling Triodos’ foundational commitment to respect human rights.

This human rights approach thus leads the bank to actively finance refugee initiatives across Europe. In Spain, for instance, Triodos works with the Fundación Secretariado Gitano, an organisation that defends the rights and culture of the minority travelling community. It also finances The Belgian Committee for Refugee Assistance (CBAR), an NGO that provides legal aid to refugees as well as to their lawyers and social workers active in the field.

**Why don't these forward-thinking, culture-minded sustainable investors receive more of a following?**

The four responsible banks interviewed highlight a number of reasons that make many investors reluctant to invest in the culture and art sectors. These reasons can be synthesised into three main themes.

**The mutual lack of knowledge that the financial sector and the cultural sector have of one another**

Triodos, Banca Etica, and Merkur share an in-depth knowledge of the cultural sector. This knowledge is based on the conviction that culture is a mainspring of the sustainable

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3 CBAR is the operational partner of the United Nations High Commissioner for Refugees (UNHCR) in Belgium.
development of peoples and of inclusive, creative, and peaceful societies. Culture is one of the fundamental principles of their concept of sustainability. It’s part of their DNA and history.

On its corporate website, Triodos defines its ‘sustainability’ commitment very clearly: “We only finance companies that focus on people, the environment or culture”.

“More art and culture is means to improve the quality of life for everyone”, Ugo Biggeri, president of Etica SGR said. Italy’s first ethical bank has a great knowledge of people’s needs through its innovative banking experience founded on the development of local networks of shareholders and savers. The focus on people and organisations is guaranteed all over Italy and Spain, where Banca Etica has operated since 2015. Ugo Biggeri added,

“These networks are very helpful to spot and promote interesting cultural initiatives that need to be funded. Banca Etica can help cultural entrepreneurs with too small and unsustainable funding requests to improve their project and to make them more robust. This organization in the field is effective in increasing the chances of success and outreach of cultural projects”.

Banca Etica helps cultural entrepreneurs to improve their business skills. Simone Grillo said,

“Financial literacy and training are very useful to cultural organizations. That is why we help them to gain financial, fiscal and strategic knowledge so that they involve themselves in the economic process. Last year we organized a ‘call for ideas’ to promote discussion and share ideas between young entrepreneurs on cultural projects and access to innovative financial instruments like reward crowdfunding”.

This guidance is also a priority for Triodos, who point to a personal and relationship-led approach:

“We focus on long-term relationships, based on transparency and a shared commitment to work for a better world. You’ll build up a personal
relationship with one of our investment managers who understands your organisation, the challenges you face, and the world you work in”.

Many examples of successful partnerships can be seen on the Tridos website.

**The financial and societal impact of culture-related activities is unclear**

Luisa Florez, head of Sustainable Thematics at La Banque Postale Asset Management (LBPAM), said,

> “Culture and other social issues are not integrated yet by the responsible investors because of the lack of ‘materiality’. To determine materiality, investors need a historical view of how financial markets have priced these issues. It is true that this approach is not forward-looking”.

To tackle this ‘materiality’ issue, Triodos has developed an ‘Impact Prism’ mechanism that assesses the sustainability value of all the bank’s loans, using social, environmental, and economic ‘stocks’ to provide an overall picture of the impact of its lending and investment.

Marcel Proos said,

> “In addition, we have a ‘purpose tool’ which assesses the (sustainability) motivation behind a project, how it is embedded in the community it serves and how it is organised itself to reflect its sustainable goals, and how well this translates into economic reality. We apply this to cultural loans just as we do to all others”.

It seems this good practice remains poorly shared within the community of investors, who need more concrete information and more financial terms to assess the cultural sector’s contribution to the common good.

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4 “‘Materiality’: A matter is material if it can substantively affect the organisation’s ability to create value in the short, medium or long term” (The International IR Framework, IIRC, 2013).
Investors’ ‘good will’ must be fostered. Lars Pehrson, Merkur CEO, said,

“It is a question of investing resources into the building up of competencies within the bank. Many banks will probably see the cultural sector as a marginal segment without much business potential”.

Yet the sector’s potential is amply demonstrated at the macro-economic level. In the US, arts and cultural economic activity accounted for 4.5% of gross domestic product (GDP), or $877.8 billion, and employed more than 5 million people in 2017.\(^5\)

In the EU-28, nearly 9 million people worked in the field of culture in 2018.\(^6\) In cultural employment, almost 60% of people had a tertiary level of educational attainment (around 35% in total employment). Across the European continent, cultural industries accounted for 4.2% of GDP (2017).

In France, 1.3 million people received direct or indirect, primary or secondary income from a one-off cultural or creative activity in 2018. The sector’s value added accounted for €47.5 billion in 2017, or 2.3% of GDP, an economic weight akin to the food industry and 1.9-times more important than that of the automotive industry.\(^7\)

These data highlight the economic and social weights of the arts and cultural activity as well as the high educational level of people employed. Marcel Proos said,

“Cultural entrepreneurship is booming. Many institutions are wholly or partly commercial and target a wide and diverse audience. Triodos Bank fits in to the dynamics of a sector with this entrepreneurial focus and finances innovative cultural entrepreneurs to help increase its impact”.

\(^5\) U.S. Department of Commerce’s Bureau of Economic Analysis.


\(^7\) EY Panorama (Nov. 2019).
Culture is not really part of the 17 UN Sustainable Development Goals’ international vocabulary

Merkur’s CEO Lars Pehrson makes the point:

“Culture as a concept is by and large absent in the 17 sustainable development goals, which we find regrettable. Merkur has always emphasized the role of culture for the evolution of society and the importance of free, personal development and general education. In our perception, the area of culture is central to developing a more sustainable society. This is a perception that we still hold and culture and education will remain core areas for Merkur to finance”.

It can be recognised that the UN SDGs do not provide investors with much incentive to consider the material issues of the arts and culture-related sectors. At a time when more and more investors firmly declare they want to make a positive contribution to society and a positive change dedicated to combating climate change or addressing environmental or social challenges in line with the UN Sustainable Development Goals, investors could further explore the potential of the arts and culture-related industries.

Initiatives from the European Union, UNESCO, and the Agenda 21 Culture network advocate for the inclusion of culture in the implementation of the SDGs. The November 2019 European Council Resolution on the Cultural Dimension of Sustainable Development recalls the following:

“That the inherent nature and intrinsic value of culture as well as the autonomy of the cultural sector and freedom of artistic expression are fundamental principles”.

It also acknowledges,

“Culture, as a sector of activity, can be understood as a self-sustaining pillar in sustainable development”.
Furthermore, it agrees,

“To step up our efforts to promote the cultural dimension in sustainable development”.

Audrey Azoulay, UNESCO’s general director, writes in the introduction to the UNESCO document *Culture for the 2030 Agenda*,

“No development is sustainable without considering culture […]. Building on a long-standing commitment to culture and sustainable development, UNESCO has aligned its work in culture to better address sustainable development challenges and opportunities. Sustainable development has increasingly been integrated into the guidelines, policies and strategies of UNESCO’s six main Culture Conventions, recommendations and programmes”.

### Conclusion

This note aims to raise awareness of good banking practice – particularly highlighting the successes of the four interviewed banks – and achievements in integrating culture into the sustainability challenge.

This cultural mind-set could also guide investors’ shareholder engagement policies towards the biggest media and culture-related industries, which may sometimes be tempted to neglect certain human rights material for their sector – for example, freedom of expression, representation of stereotypes, media pluralism, editorial independence, cultural diversity, intellectual property protection, and privacy – on the grounds of shareholders’ lack of knowledge, and therefore vigilance, of these issues.

If culture is part of the missions of public institutions, this does not prevent investors committed to the common good or human rights from ensuring that their financing meets the
needs expressed by cultural entrepreneurs. These entrepreneurs create jobs that are not easily relocated, that require valuable know-how and great creativity, consolidate social cohesion, and give the most vulnerable people the necessary self-esteem to take part in a common future. These cultural activities also contribute to economic development and positively influence territories by generating direct and indirect revenues. Isn’t social and financial return what responsible impact investors are looking for?!

Pascale Thumerelle
Founder, Respethica