



## **The progression of social investment in Quebec philanthropy. The odyssey of the Béati Foundation**

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The consistency between the investments and the social mission of foundations completely puts into question the more traditional philanthropic model, which is focused more on donations. The reconciliation of these two worlds, once confined in their respective activities, redefines the role of foundations as economic actors. By developing a holistic conception of the potential of their capital, there is a whole field of intervention that opens up. Salamon even qualifies this transformation as revolutionary, as it upsets the borders of philanthropy and liberates a plethora of new perspectives. In his opinion, “the heart of this revolution is a massive explosion in the tools of philanthropy and social investment, in the instruments and institutions being deployed to mobilize private resources in support of social and environmental objectives.” (2014, p.2) While it might be premature to cry out for the revolution, this repositioning of foundations with regard to their financial investments – that nonetheless allow for intervention on issues that go well beyond the walls of philanthropy – should not be neglected under any circumstance.

To apprehend the emergence of these new borders of intervention that are slowly developing at the heart of Quebec’s philanthropic ecosystem, we interviewed the director of the Béati Foundation, Mr. Jacques Bordeleau. This foundation, well known for its progressive views and its capacity to support social change, happens to also be avant-garde in the exploration of new tools for action. While this organization has already been under the microscope with PhiLab researchers (Lefèvre & Berthiaume, 2016), the ingenuity that it demonstrates with regard to the implementation of an alternative finance remains a dimension of its activities that are still under studied. This is why we will be paying close attention to the leadership of this actor with regard to its appropriation of solidarity-based and socially responsible investment (SRI) practices<sup>1</sup>. In order to do so, we will proceed in two stages. First, we will present the large steps in their evolution concerning their investments. Afterwards, we want to bring attention to the underlying work of the

implementation of the practices, this being the use of their influence to liberate more of their potential.

### **Short chronicle of Béati as a social investor**

The idea of adopting an official socially responsible investment policy within the Béati Foundation did not stem from a sudden enlightenment. In fact, there was a lot of informal work done in preparation that dates back to well before the establishment of their first SRI policy. Far from having emerged out of nowhere from their social conscience, the foundation has always been preoccupied with the nature of their investments. “We must point out, explains Mr. Bordeleau, that the environment was fertile. I would say that, even at the time, we have always been preoccupied with the question of the consistency between our investments and our social mission. [...] Since the beginning, there existed a notion for example, to have clear filtering rules for our manager, to identify sectors in which we do not want to invest in. I would thus like to honor the founders who already had that sensibility. However, we were not in a wide and structured vision of investment, but the preoccupation was there”. There was also a certain cognitive predisposition, historically constituted within the foundation, which rendered the further reconciliation between finance and the mission normal<sup>iii</sup>.

From that moment on, in order to take the next step and implement an SRI policy, all that was left to do was to make the last resisting parties fall and find the necessary resources to define a clear strategic direction. A first step was to organize an informational meeting with experts in the field: “so a strategic alliance between Pascale Caron and I was made; she came from the finance world and was the director of strategic development at the Solidarity Savings Fund (Caisse d’économie solidaire). So it is someone who knows the field very well, who was thus sensitive to the issue. [...] Together we worked on creating the conditions that would enable the question to move forward among our decision-makers. This required starting by breaking down certain resistant forces. I remember one night when we had, amongst others, invited Brenda Plant – who was not yet an administrator in the foundation - , with Colette Harvey, who also worked for the Solidarity Savings Fund, but who was responsible of alternative investments. They had come to make a presentation one evening, the objective being to better understand what we meant when we talked about SRI?”

Following this clarifying meeting emerged a desired to move forward with a more elaborate and more defined strategy of SRI, in addition to a pilot project of solidarity investment<sup>iiii</sup>. “In 2006, Mr. Bordeleau recounts, there was in-house work that led to the adoption of an SRI policy, thus something clearly more structured regarding the distribution of our assets. When we were looking at how we wished to distribute our assets, for the first time we saw the stock market appear. So, it was said at Béati that we wanted to invest 59.5% of our assets in the stock market, there were 39.5% of our assets in fixed revenue investments, and 1% in solidarity investments. We were really dipping our toes in, as 1% of a 12 million dollar portfolio represents 100 000\$ to 120 000\$. It is still too little but it was at least something

that fit into a policy and a desire to move forward, for me it was a qualitative leap”. In addition, their way of approaching SRI was much more vigorous. Henceforth, the entirety of assets placed took the social and environmental impact into consideration. To achieve this will to go further than a simple negative filtering process, which is a simple practice and requires less effort, they had to return to the market to find a manager competent in the matter. The implementation of their policy was thus paired with a restructuring of their professional relationships to seek out a manager capable of answering their extra-financial expectations; the organization having changed managers twice since their debut in the SRI world.

The foundation continues to advance with determination to make of their investments an intervention method in and of itself within their social mission. The organization just reiterated their investor philosophy by adopting a new, even more developed responsible investment policy this year. Also, regarding their solidarity investments, the foundation is still in the phase where they want it to be an action instigator to support communities. Although they had done a few modest experiments, the organization adopted rules and procedures in order to achieve much more ambitious objectives, by increasing to 10% the portion of assets that will be invested in the latter in the future<sup>iv</sup>. In order to do so, the foundation is currently reflecting on the types of projects it wishes to support and under what conditions. They are thus in a process of operationalization of their ambitions.

### **The Foundation’s influence in the structuration of this field of intervention**

Our interview with the director of Béati revealed something of great importance: advances in this area are highly tributary to the foundation’s capacity to demonstrate their influence. In addition to their SRI practices, the foundation also endorses an influential role that allows for the growth and significant orientation of their development, and this, as much among financial institutions as other philanthropic organizations. In this regard, Béati finds itself in a much larger trend, one that highlights the capacity of foundations to bring about change through their ability to influence beliefs or behaviors (Hammack and Anheier, 2013, p.14). We have identified three fields upon which the foundation extends their influence to support the advancement of the practices.

#### *1. Activation of conceptual conflicts*

First of all, we must mention that there exists a plethora of terms employed by philanthropic actors to designate their social vocation investment practices. As harmless as they may appear, conceptual choices are not without their own importance recalls Mr. Bordeleau. These latter do not only serve to mark the technical distinctions between different practices, but also pose the premises upon which a foundation will devise their sociopolitical goals. The choice of words stems from a theological decision made by the foundation.

For example, regarding the solidarity investments that the Béati Foundation is actively developing, Mr. Bordeleau doesn't hide a certain discomfort in the face of the actors who prefer the term "impact investing". According to him, this concept can lead to a truncated view of reality where the social impact of regular investments are very much neglected: "I find that it is limiting to talk about impact investing, to use this term to define what I call solidarity investment. It implies that there is impact investment, and then there is the investments being made on financial markets that don't have an impact... That's how I see it. For me, it's 100% of my assets that are invested with an impact perspective. I find that we give ourselves a good conscience by making impact investments and believing that we can invest the rest of our money in any way we see fit. You should be preoccupied with the entirety of your investments, no matter which sector they are invested in, be it in traditional markets or in solidarity financing, so that they have a social and environmental impact and make our society better. [...] In our schematic, there are shares, fixed revenue and alternative investments; there are no impact investments". Henceforth, even if it is this latter term that is mainly used, this director strongly believes that he must submit these concepts for debate to better define the objectives. For him, shaking up this sort of terminological disagreement is an occasion to reflect on the function of finance in society.

## 2. *Challenging the managers*

Secondly, when foundations decide to turn to SRI, they don't find themselves in a highly established world where they only have to follow main directions that are already commonly agreed on. Quite the opposite, Penalva Icher reminds us that the diverse actors that commit to it also have the responsibility of participating in the definition of the supposedly socially responsible practices. According to this author, "the criteria for the 'socially responsible' remain blurry and uncertain. The heterogeneous actors of socially responsible investing are thus cooperating to create a consensus. This consensus is not yet stabilized; there is still hesitation around different protocols on quality" (2009, p.61). This is to say that foundations who adopt SRI must also clearly express their expectations. Without this type of demanding leadership, this investment trend risks being trivialized and, eventually, maybe becoming a mainstream placement without any pretensions of being a paradigm reorientation of the financial sector.

This is what the Béati Foundation is trying to do by putting pressure on their manager. Not only are few of them qualified in the matter, but, more and more, those that do commit are reluctant when faced with very ambitious objectives. In consequence, in a humoristic but sincere tone, Mr. Bordeleau explains that he must practice shareholder's activism<sup>v</sup> towards managers who claim to have signed the PR17 and to practice shareholder engagement. In fact, he doesn't hesitate to question their rigor and actual determination to transform the behaviour of companies around precise issues: "They will tell us 'we're establishing a dialogue, we're discussing with the employers.' But concretely, what companies? What are you establishing a dialogue about? What objectives are you pursuing? Are you clear? Do you

have objectives that allow you to evaluate if you have made progress following your dialogues? And that is when you realize that it's weak!" It is thus important to validate the "quality" of your manager's SRI practices. In addition, Mr. Bordeleau confirms that it doesn't suffice to make individual pressure, but to also mobilize investors in one's network who will do business with the same manager. Consultation between clients of the same placement management firm is in this way seen as a way of formulating demands that appear shared by many and who, by the very fact, represent a more significant weight within the firm. He believes that foundations should greatly rely on this type of collective strategy to help advance their causes: "if you show up to the manager saying you have a portfolio of 12 million, well, you're just one client among many. But, if we're 10 or 15 clients, and that each one's presentation hits the same mark and asks the same questions, at one point the pressure will increase. And on that aspect, foundations could have some weight. They could play an important role".

### 3. *Spreading awareness to other foundations*

Thirdly, because the future promises of SRI reside in large part in the generalization of the defended financial norms, the Béati Foundation is attempting to convince the other philanthropic actors to do the same. Mr. Bordeleau tells how, in his 2012 agenda, he had given himself the mandate of activating the debate about investment issues in the philanthropic world. He wouldn't know how to evaluate if his work bore fruit since, but hopes to have at least made certain organizations aware of the issue: "I dare to hope that we can inspire a few of them; that the act of documenting, of naming it, of showing that it's possible, will give others the desire to try it out for themselves. When people see that a small foundation like Béati succeeded in doing it and even, doing it well, they will ask themselves what is holding them back".

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### **Pour aller plus loin ...**

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<sup>i</sup> To better understand what solidarity-based and socially responsible investment practices consist of, refer to the independent web platform Etiquette and to the Association for Responsible Investment (ARI).

<sup>ii</sup> We can hypothesize that the religious anchor could have played a role in this sense, insofar as it was the religious congregations that were historically the first actors to implement, without naming it so, SRI practices.

<sup>iii</sup> The foundation defines solidarity investment as follows: “it is an investment within which the money is invested in community development projects or micro-companies that contribute to the growth and well-being of particular communities”. (online: [http://www.fondationbeati.org/Documents/2016/Investissement\\_solidairex\\_rgles\\_et\\_procedures.pdf](http://www.fondationbeati.org/Documents/2016/Investissement_solidairex_rgles_et_procedures.pdf))

<sup>iv</sup> Béati is also attempting to follow the Canadian Task Force on Social Finance that recommends that foundations invest at least 10% of their assets in “impact investments” by 2020.

<sup>v</sup> A shareholder’s activism is an SRI practice that consists in using one’s shareholder power to influence the behavior of a company on extra-financial issues. This activism can be accomplished through different methods: by speaking directly to the directors, through questions during general assemblies, through shareholder resolutions, and more.