

Intelligence MEMOS



From: Bill Young
To: Canada's corporate investors
Date: April 12, 2019
Re: **CORPORATE CANADA IS IGNORING IMPACT INVESTING. IT CANNOT AFFORD TO.**

Over the past few years, leading companies worldwide have begun to invest in ventures that can achieve both a financial and a social return. In the modern economy, it is becoming essential.

"Society is demanding that companies, both public and private, serve a social purpose," wrote Black Rock CEO Larry Fink in his annual [letter to CEOs](#).

From Centrica's investment in [sustainable energy](#), to Comcast's support for [minority entrepreneurs](#), firms around the world are building specific impact investing strategies, where profit and purpose can be integrated into their core business strategy. And the movement is gaining real momentum, with new companies seemingly announcing funds every week.

Corporate Canada, however, is largely absent from the conversation. Ethical and environmental investment funds have proliferated, but impact investing, not so much.

Only one Canadian company attended the [Global Corporate Venturing Symposium](#) last May, and our only major impact fund is the [RBC Generator](#), a \$10-million fund started in 2012.

So what are Canadian companies missing?

First, investing for impact can help retain talented staff, many of whom are demanding more purpose in their work lives.

JPMorgan Chase, for example, is asking its employees to act as mentors to start-ups in the [Financial Solutions Lab](#) — an accelerator it founded to provides resources for start-ups helping low-income Americans achieve financial security. The response has been overwhelming: the moment the program was announced, it received hundreds of applications.

Second, these investments can help to boost a company's public profile. With their supply chains under scrutiny and customers making value judgements with their wallets, failures in social responsibility can blow up on social media and cause severe damage.

Outdoor clothing retailer Patagonia, for example, has made substantial [venture capital investments](#) in environmentally responsible start-ups, many of which now feed their supply chain. Strict sustainability standards have been at the heart of its success as a brand.

And third, impact investing can trigger much-needed corporate innovation.

For Danone, it has been transformative. In 2006, the company [partnered with the Grameen Bank](#) to build a non-profit factory in Bangladesh, producing inexpensive and nutritious single-serve yogurt targeted at young children. Not only has the project helped to fight malnutrition and boost local employment, but it's accelerated the company's growth in an important developing market which it had previously struggled to enter. In the 12 years since, Danone has developed innovative technology and adopted distribution methods which it's now using to sell [100,000 cups of yogurt daily](#) in Bangladesh.

JPMorgan Chase's investment in the Financial Solutions Lab has also proved invaluable to its core business. By directly involving its own employees and monitoring the firms' progress, the bank is gaining significant insights into how to reach previously underserved populations. While it may not provide immediate financial benefits, JP Morgan Chase is learning about the future of its business, while broadening the experiences of its staff.

The good news is that kick-starting a corporate impact fund isn't that risky or difficult. Funds are usually relatively small (\$10–25 million), deal flow is increasing, and a network of global organizations is already sharing ideas and partnering on investments.

There is also a growing list of Canadian intermediaries able to help build and support an investment strategy. The more funds we create, the more robust our infrastructure will become.

This is not a plea for Canadian corporations to "do the right thing." Far from it. It's a recommendation that they act in their own best interests.

Impact investing could make Canada a magnet for innovative workers, mission-driven entrepreneurs and big ideas. It could help our major corporations ensure future profitability and keep pace with their global competitors. And if it happens to make the world a better place in the process, well that's a bonus.

In a rapidly changing marketplace, impact investing is an increasingly valuable tool. Corporate Canada should use it.

Bill Young is the founder of Social Capital Partners.

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