



The Value of Arts

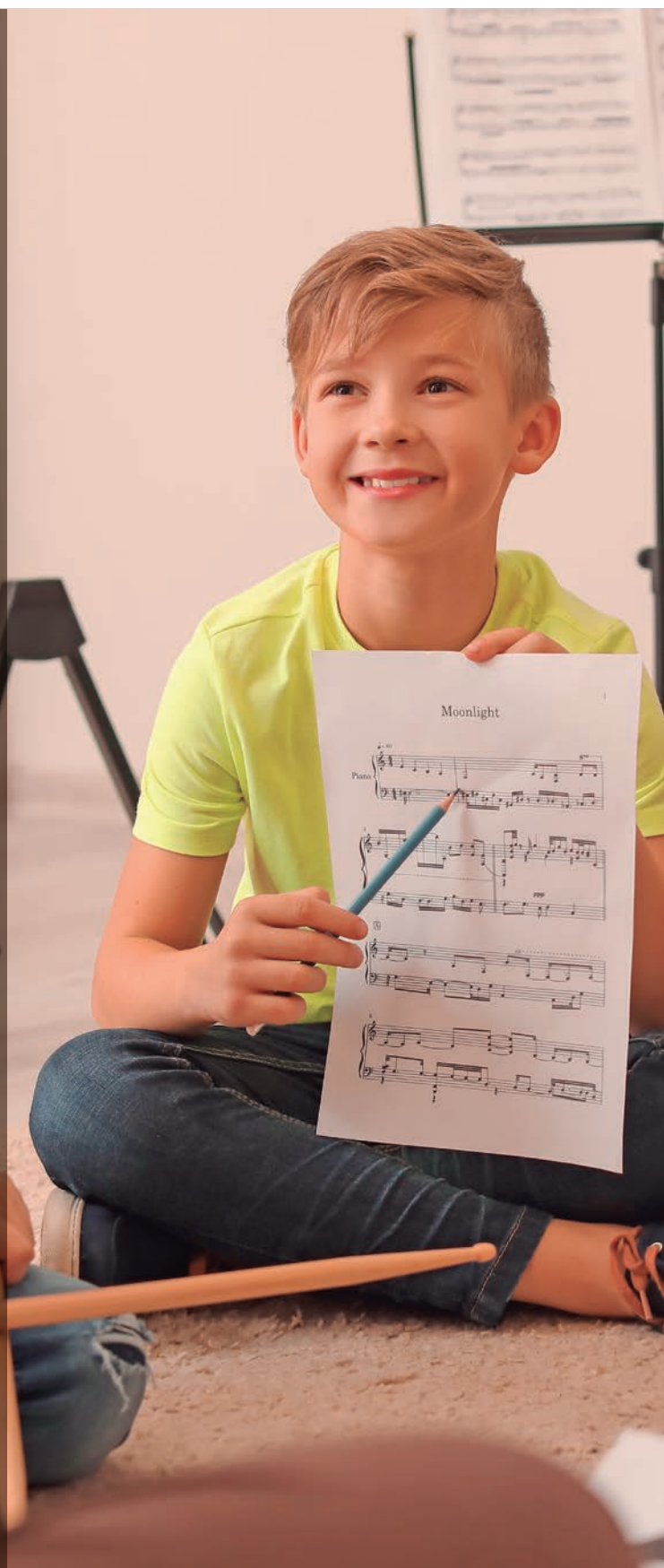
The role of Performing
Arts and Classical Music
on the impact economy

Reina Sofía School of Music

The Reina Sofía School of Music was established as an educational project in 1991 with the aim of supporting young people and championing musical culture. The School has since worked to nurture the talent of prodigiously gifted young musicians while universally promoting the benefits that music has to offer. The School provides a collaborative platform where the public sector and private businesses can join forces in pursuit of a common goal.

As music has the power to transform people's lives and communities, the School can effect social change through its activities. And because no one is immune to the emotional responses that it is able to evoke, music unites people by breaking down barriers of language, environment and tradition. Moreover, by actively engaging with music, one develops certain values, such as commitment, resolve, shared leadership, cooperation, empathy and devotion, that help to promote a harmonious and cohesive society.

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The Value of Arts: The role of Performing Arts and Classical Music on the impact economy

This presentation has been produced on the basis of public data and research undertaken in the second half of 2021 and at the beginning of 2022. The document contains invaluable information taken from interviews and statements from a representative sample of investors, directors of cultural institutions and officials of organisations that are committed to generating an impact through their patronage or sponsorships.

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We would like to thank all the experts and executives for the selfless contribution they have made to the conversations and interviews conducted for the purpose of this presentation. We are also particularly grateful to the Advisory Board for the Arts, and to Victoria Ateca, an Associate Professor of Economic Analysis at the University of the Basque Country, for their respective contributions to this presentation.

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INTRODUCTION

The new value of culture

Some people have misgivings about the value of culture. Some people grumble about the expense of cultural pursuits. Some even go so far as to say that music, art, cinema, or theatre are simply forms of entertainment. In actual fact, the fundamental purpose of culture is to reflect our identity, our society, and the way in which we view the world. While it is true that culture is entertaining, its particular purpose is to help construct a society in which critical and free thinking can thrive. The debate has been enriched by a third dimension that has recently come to light: the social value of culture.

We must embrace the fact that culture has the power to break down barriers and build cohesive, democratic, free, and equal societies. It is about time we recognised the potential of cultural initiatives to change society for the better. Culture is underpinned by the concepts of critical thinking, freedom, and diversity. These fundamental elements can be used to shape the sort of future we want and deserve.

As such, culture can serve as a catalyst for shared growth, both in view of its economic potential and its ability to break down barriers. The cultural renaissance of our country in the wake of the pandemic caused by Covid-19 will prove to be a false dawn unless it can help to break the vicious circles of inequality and vulnerability. The cultural and structural benefits of this renaissance will only be reaped if culture is used to drive economic growth, on the one hand, and to enhance society from a social, aesthetic and ethical perspective, on the other.

The importance of this presentation cannot be overstated, as it sets out to analyse, contemplate, and explain the ways in which we can harness the transformative potential of culture, and identifies the prominent role that public-private initiatives can play in pursuit of this goal. But, first and foremost, investors and businesses committed to generating long-term value need to change tack, because culture gives without taking, and sets out to promote freedom, diversity, tolerance, multiculturalism, and sustainability across society.

Miquel Iceta

Minister of Culture and Sport

The impact economy and the role of Performing Arts and Classical Music

EY and the Reina Sofía School of Music have been working in partnership for the past five years to promote education and culture. This presentation is one of the most impressive achievements of that partnership. It underscores the valuable contribution that the cultural sector makes to society and lays bare the role that the impact economy can play in the development of performing arts and music.

I would like to thank EY for the professional and enthusiastic manner in which it has undertaken this task. The initiative gives the School the opportunity to share its 30 years' experience of working alongside public bodies and private businesses, with sector stakeholders.

Public Administration must add stability and can help the revitalising effect that impact investing has on the sector. For that reason, I would like to thank the Minister of Culture and Sport, Miquel Iceta, who has given his support to this initiative and sparked a debate which will undoubtedly shape the future of culture.

Paloma O'Shea
Founding President
Reina Sofía School of Music



Executive Summary

As society transitions to a system of stakeholder capitalism, we are already immersed in the impact economy. This transition presents an opportunity for cultural initiatives, and especially to the Performing Arts and Classical Music, to put in value their role in society, as well as to increase their sustainability. More sources of funding will become available to cultural institutions as patrons, sponsors and investors and investors to channel their needs their need to generate an impact through the initiatives undertaken by these institutions. To take full advantage of this opportunity, cultural institutions will need to make changes.

The impact economy: an unstoppable force

The new paradigm of impact economy seeks to foster economic growth and development, while helping to address social and environmental problems. The foundations of the impact economy are underpinned by a partnership between society, the business community, and public institutions. These actors join forces in pursuit of several common goals which are very often aligned with *Environmental, Social, & Governance* (ESG) goals¹.

In the wake of the pandemic caused by COVID-19, and in view of its devastating effects, organisations and the general public are more determined to make a positive impact on society and the environment, and recognise the need to accurately measure the impact and align their initiatives with the Sustainable Development Goals (SDG). This trend has captured the imagination of all economic stakeholders, not least philanthropists, sponsors, and impact investors.

¹ A sustainable and responsible investment is a long-term investment discipline that reviews, analyses and selects investment portfolio securities on the basis of Environmental, Social, and Corporate Governance factors. (Spainsif).

This growing process is illustrated by the recent surge in impact asset management, both internationally (€ 775 billion in 2019) and in Spain (€ 2,378 million in 2020).

Culture and, in particular, performing arts and classical music play a key social and economic role, which importance needs to be stressed

In addition to the substantial contribution that the cultural sector makes to the economy (in 2019, it accounted for 2.4% of GDP² and 3.5% of all jobs in Spain), it also has a significant social impact. Performing Arts and Classical Music generally contribute to all the SDGs and specifically to SDG 3 (Good Health and Well-being), SDG 4 (Quality Education), SDG 8 (Decent Work and Economic Growth), SDG 10 (Reduced Inequality) and SDG 11 (Sustainable Cities and Communities).

This presentation develops a “Theory of Change of the Performing Arts and Classical Music Sector” which shows that the sector makes a significant social contribution on the basis of five direct effects: 1) improving the quality of education, 2) improving employability, 3) improving well-being and quality of life, 4) promoting a more inclusive and sustainable society and 5) making people happier in their private lives, with the subsequent effect that they feel happier at work.

The Performing Arts and Classical Music sector is experiencing a *renaissance* in the light of the new and growing interest that the business community continues to show in the sector

The healthcare and education sectors experienced a very similar process several years ago, when they started to embrace public-private sector partnerships. It is important to adopt a three-pronged cooperative approach (involving sponsors/patrons, investors, and cultural institutions) that is capable of driving growth, generating an impact and garnering the crucial support of the public sector with a view to optimising the contribution that can be made across all areas of society.

Impact investors will only be attracted to the sector if the opportunities identified in this presentation are seized. They include vertical integration of the sector with education, the consolidation of smaller *players* or the creation of cultural events based on an innovative strategy capable of meeting a growing demand.

² It rises to 3.5% with the inclusion of creative industries.

Executive Summary

It is important to adopt a three-pronged cooperative approach (involving sponsors/patrons, investors and cultural institutions) that is capable of driving growth, generating an impact and garnering the crucial support of the public sector.

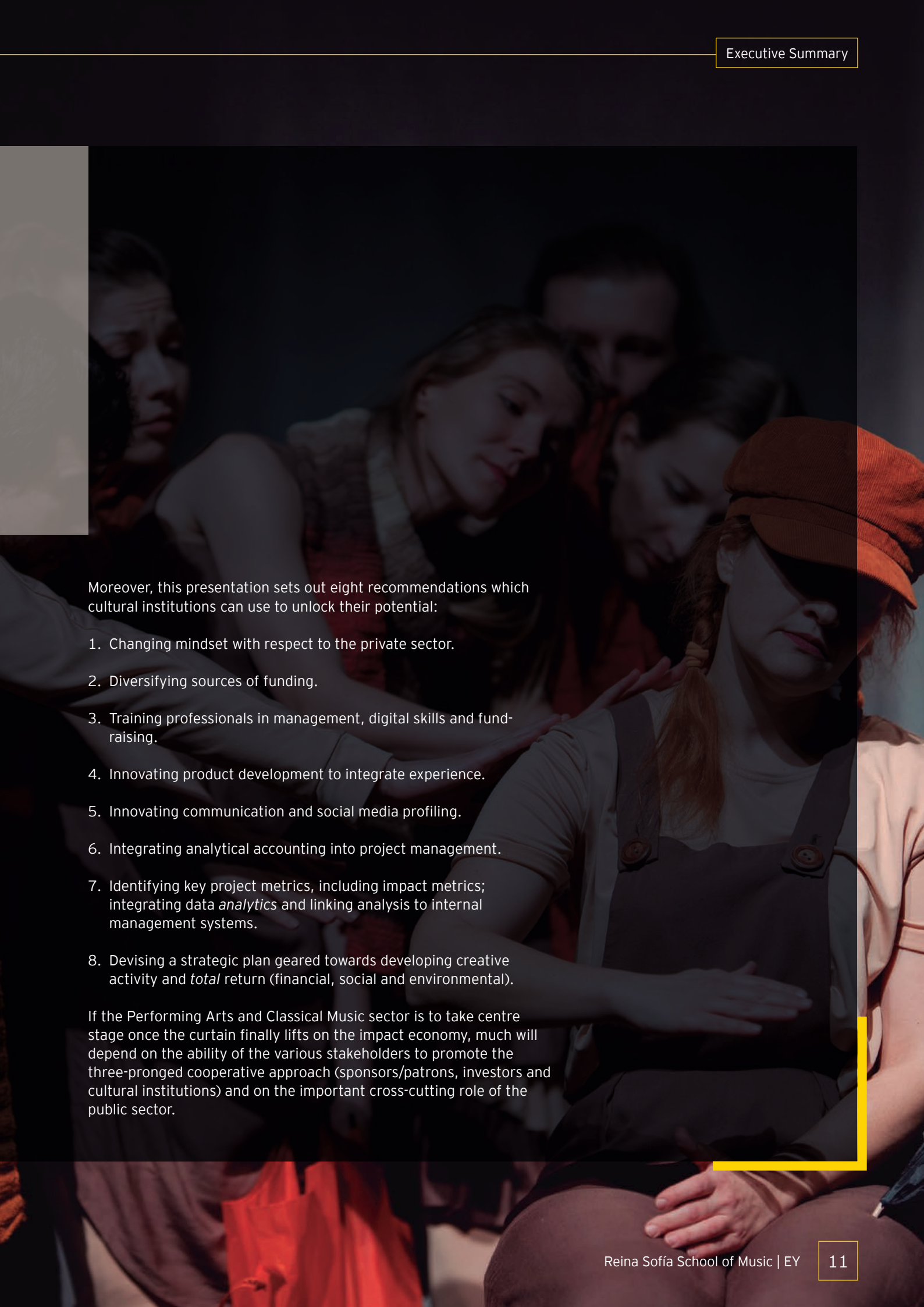
Some fledgling initiatives have already been launched across the globe, such as Nesta's investment in the Birmingham Royal Ballet or Concord's investment in Techstars. Initiatives have also been undertaken in Spain, such as the start-up Fever or the new fund Tiina, promoted by Fundación Carasso and Ship2B that invest in arts organizations.

Attracting investors is not the only way cultural institutions have to increase their funding. They can also appeal to sponsors/patrons by measuring the impact of their initiatives and prioritising creativity. We have identified several alternative cooperative approaches that are capable of generating social value and addressing key issues for the benefit of society as a whole such as healthcare, education, employability, inclusion, and the protection of cultural heritage.

As long as cultural institutions are willing to adapt, they will be able to increase their sustainability and diversify their sources of funding

All stakeholders now demand transparency and commitment. As such, it is critical to measure impact³ so that patrons, sponsors, and investors can determine the success of their social and environmental commitments. Cultural institutions may increase their funding if they are able to measure the impact of their initiatives. There are various methodologies from Impact Management Projects, SDGs, or IRIS+ of GIIN that cultural institutions may use to measure their impact.

³ The following section looks at various methodologies and indicators. This report also presents a Theory of Change which highlights the importance of the impact of the Performing Arts and Classical Music sector.



Moreover, this presentation sets out eight recommendations which cultural institutions can use to unlock their potential:

1. Changing mindset with respect to the private sector.
2. Diversifying sources of funding.
3. Training professionals in management, digital skills and fund-raising.
4. Innovating product development to integrate experience.
5. Innovating communication and social media profiling.
6. Integrating analytical accounting into project management.
7. Identifying key project metrics, including impact metrics; integrating data *analytics* and linking analysis to internal management systems.
8. Devising a strategic plan geared towards developing creative activity and *total* return (financial, social and environmental).

If the Performing Arts and Classical Music sector is to take centre stage once the curtain finally lifts on the impact economy, much will depend on the ability of the various stakeholders to promote the three-pronged cooperative approach (sponsors/patrons, investors and cultural institutions) and on the important cross-cutting role of the public sector.

1 Social impact: a new paradigm for the economy

⁴ While there is no set definition of the concept of impact economy, it can be defined as an economic approach that seeks to benefit the whole of society, not only in economic terms, but also from a social and environmental perspective.

⁵ A sustainable and responsible investment is a long-term investment discipline that reviews, analyses and selects investment portfolio securities on the basis of Environmental, Social, and Governance factors. (Spainsif).

⁶ Impact investing refers to “investments made into companies, organizations, and funds with the intention of generating a measurable, beneficial social or environmental impact alongside a financial return” (*Global Impact Investing Network, GIIN*).

As part of an impact economy⁴, social and environmental value can be generated through initiatives and investments. The importance of this approach, often underpinned by Environmental, Social, and Governance (ESG) ⁵ initiatives, should be emphasized in the eyes of patrons, sponsors, and impact investors⁶.

Investment decisions were originally based on a risk-return ratio. In other words, investment decisions were made on the basis of risk analysis and expected return. Most investment decisions had, until now, been made primarily in view of risk and return. Nowadays, especially in view of the emergence of impact investing and the advances made in this field, the traditional two-pronged approach is making way for a new **three-pronged approach involving risk-return-impact.**

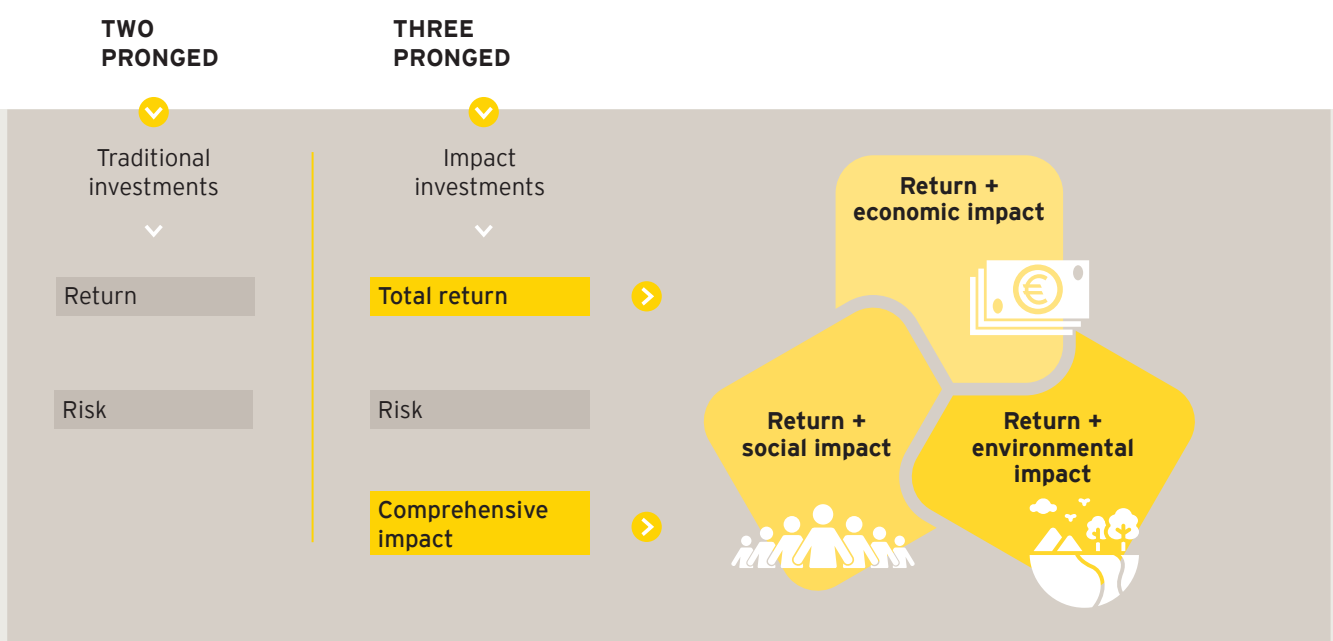
The third aspect (impact) does not necessarily mean that investors are no longer interested in the potential return of a purely financial investment, but simply that a balance must be struck between all three factors. **Through the lens of this new paradigm, the impact, whether social, environmental or otherwise, is a decisive measurable indicator for the patrons, sponsors, and investors** of the impact economy. This is a way for institutions to substantiate their commitment to the impact economy.

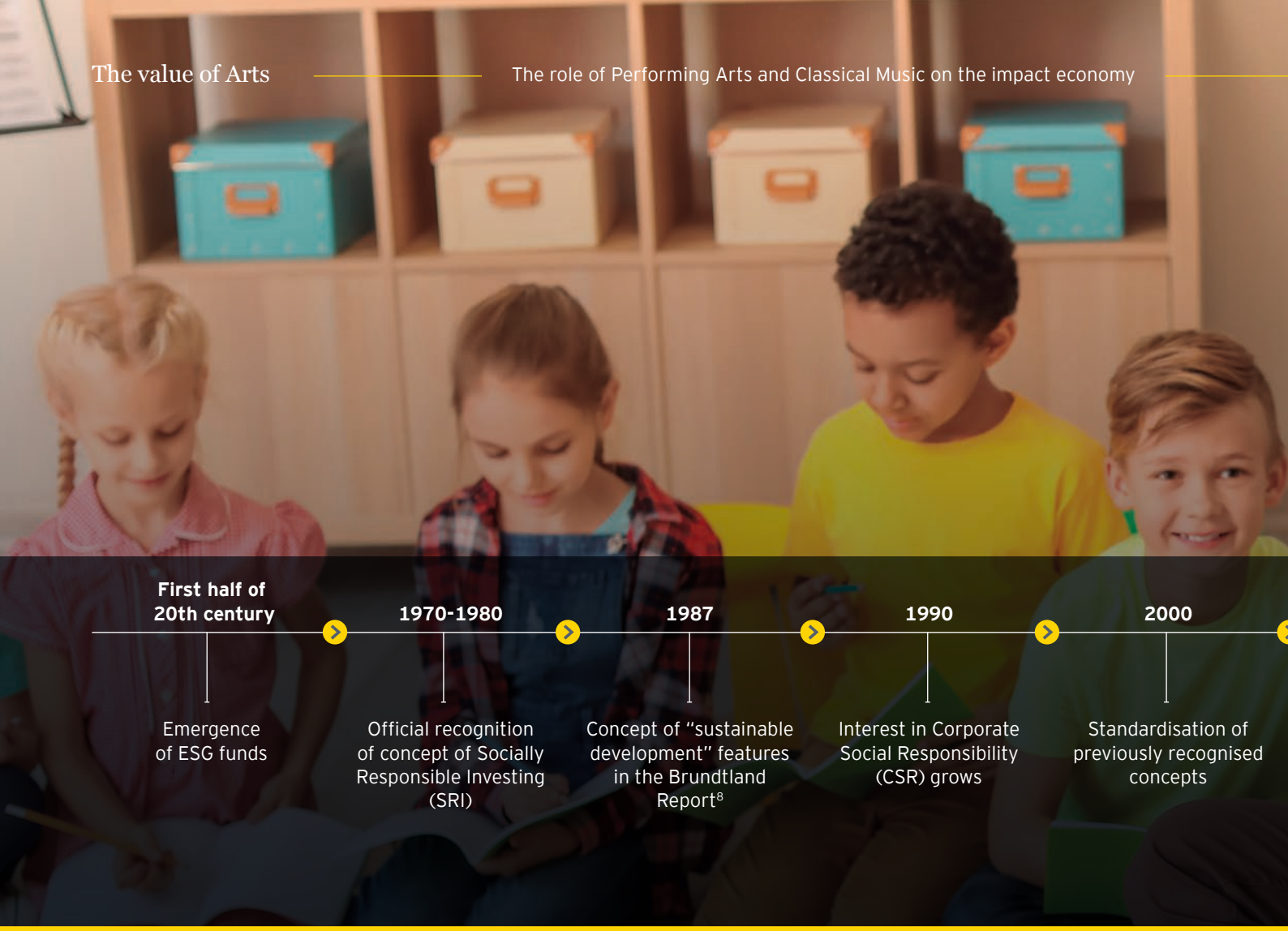
Through the lens of this new paradigm, the impact, whether social, environmental, or otherwise, is a decisive measurable indicator for financial supporters.

Ricardo Miró-Quesada, Head of Private Equity at Arcano, remarks that it is key to strike a balance between impact and return: “We see no need to compromise on return. In our experience, impact projects have yielded the level of return we were targeting”.

Against this backdrop, the Performing Arts and Classical Music sector appears to be well-placed to promote social development and, as such, to attract patrons, sponsors, and impact investors. The Performing Arts and Classical Music sector is critical for the economy, not only because it has the power to create more cohesive societies, but also because it can improve the education of citizens and unleash creative and innovative forces within organisations, as outlined in this presentation.

The development of the impact economy has gathered momentum in recent years. In the wake of COVID-19 and its devastating consequences, organisations and the general public are more determined to generate a positive impact on society and to measure their impact. Publications on the impact economy are still limited in number and characterised by standardisation gaps. If the impact ecosystem is to take hold, the task of codification will have to be undertaken.





First half of
20th century

Emergence
of ESG funds

1970-1980

Official recognition
of concept of Socially
Responsible Investing
(SRI)

1987

Concept of “sustainable
development” features
in the Brundtland
Report⁸

1990

Interest in Corporate
Social Responsibility
(CSR) grows

2000

Standardisation of
previously recognised
concepts

⁷ The concept can be summed up as “investments made into companies, organizations and funds with the intention to generate social or environmental impact alongside a financial return” (Source: Rockefeller Philanthropy Advisors).

⁸ Also known as “Our Common Future”, the Brundtland Report was published by the United Nations and defined sustainable development as “meeting the needs of the present without compromising the ability of future generations to meet their own needs”.

To this end, we have to define what we mean by impact. *Impact Management Project* (IMP), one of the foremost authorities in the field, currently defines impact as “a change in an outcome caused by an organisation”.

The concept of impact can be transferred to investments on the basis of the concept formalised in 2007 by the *Rockefeller Foundation*⁷. However, *Global Impact Investing Network* (GIIN), an entity established in 2009 and one of the leading organisations in this field, currently defines impact investing as “investments made into companies, organizations, and funds with the intention to generate a measurable, beneficial social or environmental impact alongside a financial return”.

As the value created by an impact economy is made possible by patronage, sponsorships and impact investments, the system requires a collective decision-making approach. The impact economy sets out to build a cohesive society underpinned by a number of principles.



2007

The *Rockefeller Foundation* officially establishes the impact investment

2015

Creation of Sustainable Development Goals

2017

Global Social Impact Investment Steering Group created by Ronald Cohen

2019

Commitment of *Business Roundtable* for the new Statement on the Purpose of a Corporation

2020-2021

Impact of COVID-19 and interest growing in impact investing

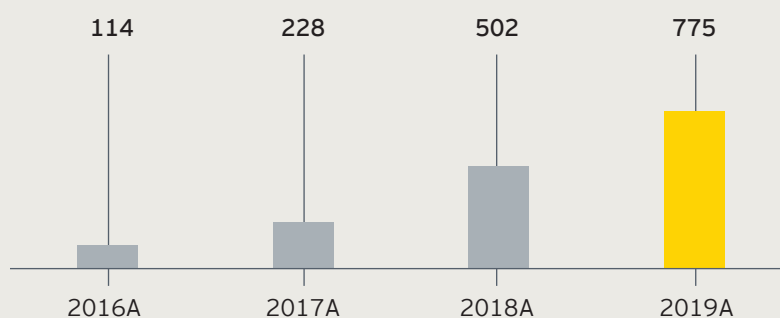
This is where culture can play a fundamental role and effectively induce patronage, sponsorships, and impact investments. As indicated by **Patricia Gabeiras**, Founding Partner of Fundación Gabeiras: “the contribution of culture is not confined to the sphere of financial return. When investments factor in certain metrics, they have a positive impact on society, well-being, the environment, future outlook, and the country as a whole. Culture adds immense value to a country”.

It would be impossible to understand the short-term effects of the impact economy without examining the current context of COVID-19. The pandemic and its devastating consequences have placed the concept of impact at the forefront of people’s minds, especially in the most economically developed societies. The recent publication of Observatorio Inverco, issued in June 2021, specifies that 45% of investment fund managers in Spain have found that their clients have shown a greater interest in impact investing and ESG investments in the wake of the pandemic⁹. **Fernando Trueba**, Managing Partner of CorpFin, echoes this point: “We are moving towards effective altruism, measurable altruism. The sort of altruism that could be integrated into financial investments. But before this can happen, we must be able to measure the potential impact and analyse the outcomes”.

⁹ Tenth Investment Fund Manager Survey (Observatorio Inverco, 2021).

This **growing interest in impact investing is a global trend in respect of assets under management** which, in the period 2016A-2019A, increased at a CAGR16-19 of 89.4%, to climb to € 775 billion under management¹⁰.

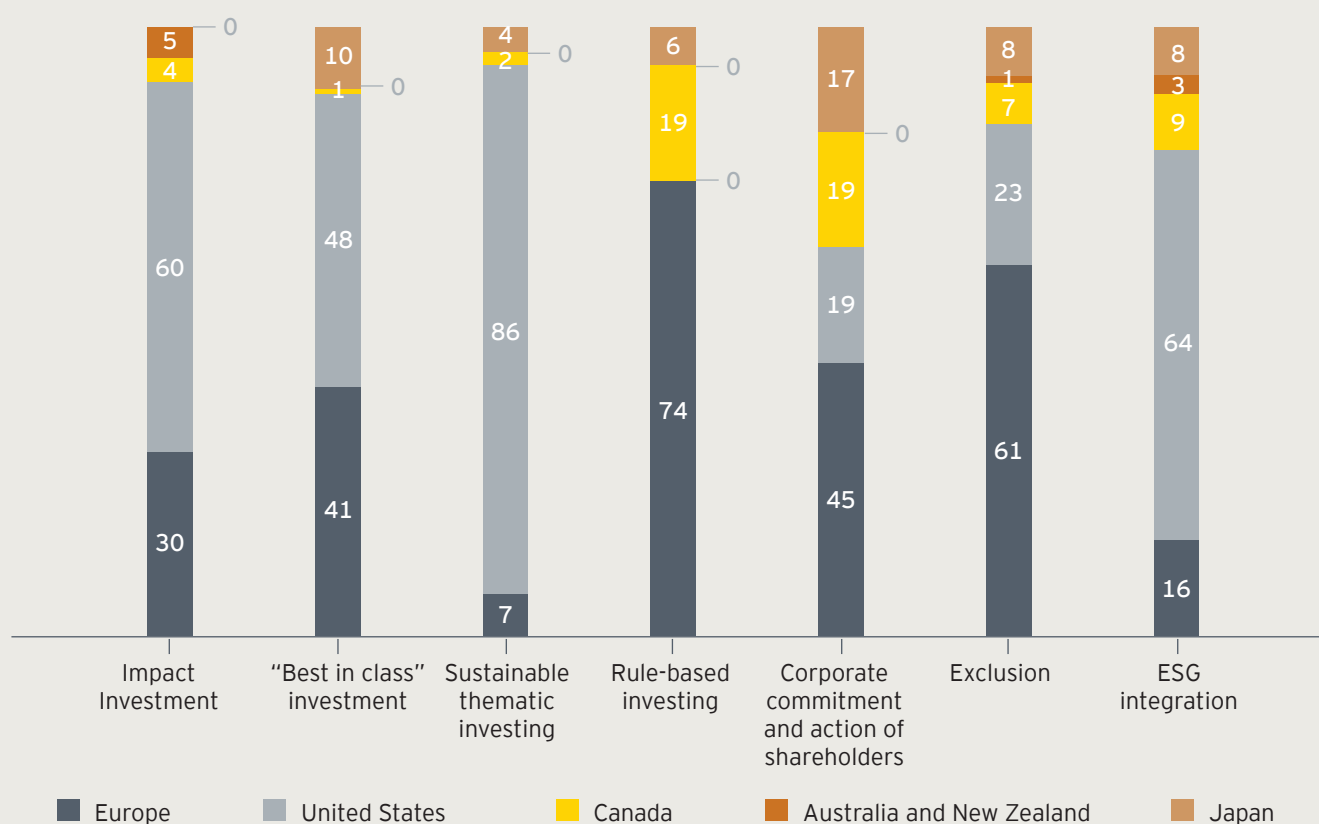
Global impact investing assets under management (billions of €)¹¹



¹⁰ Source: Global Impact Investing Network Annual Impact Investor Survey 2017, 2018, 2019 and 2020.

¹¹ It should be noted that the assets and actors included in the methodology implemented by the *Global Impact Investing Network* for 2019 are in addition to those considered in previous years

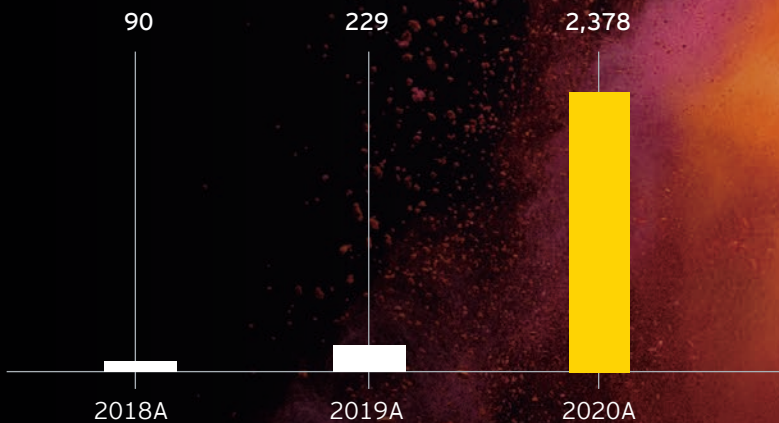
Proportion of sustainable investment strategies used by global region (%; 2020)



As figures are rounded off, the sum will not always add up to 100%

Figures are trending the same direction in Spain. The impact investing assets under management of private capital funds have increased considerably in recent years and amounted to €2,378 million in 2020A.

Global impact investing assets under management (billions of €)¹²



Through the lens of this paradigm in the form of the impact economy, it is difficult to align the aims of initiatives with the objectives of patrons, sponsors or investors unless the impact metrics of an initiative are duly identified and monitored. As measurement standards can be used to assess the impact of an initiative on society, the aims of the impact economy can be aligned with the objectives of an initiative.

Moreover, as metrics can also be used to compare initiatives, the type of impact of each initiative can be identified and categorised according to outcomes.

Given the wide variety of existing impact methodologies and indicators, which ones are suitable for your initiative?

The **European Venture Philanthropy Association (EVPA)** provides a guide which sets out the steps that need to be taken to produce a robust impact measurement. It proposes the following steps:

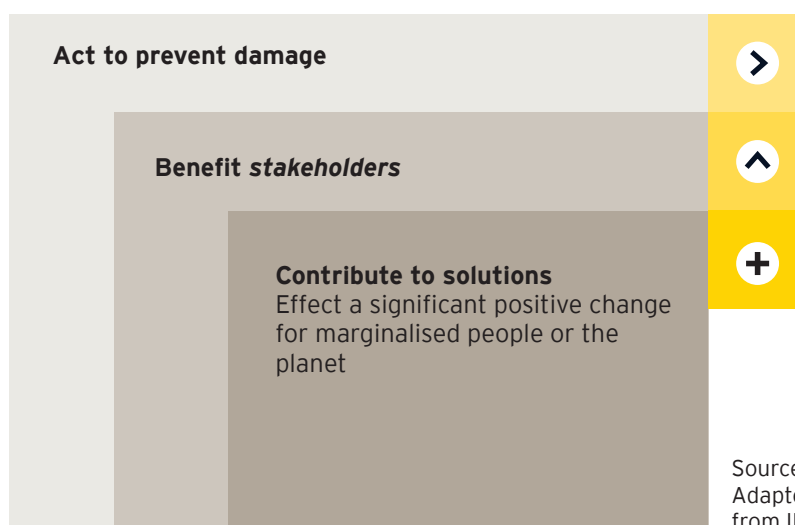
1. Setting Objectives;
2. Analysis of the actors involved;
3. Measuring Results: Outcome, Impact, and Indicators;
4. Verifying & Valuing Impact; and
5. Monitoring & Reporting;

¹² It should be noted that the assets and actors included in the methodology implemented by SpainNAB for 2020 are in addition to those considered in previous years.

In order to carry out the measurement and verification of a project's impact, some of the most relevant methodologies that can be used are as follows:

1. **Impact Management Project (IMP):** It sets out three impact objectives or intentions (classified as A, B or C) and five dimensions for the purposes of understanding and measuring the impact (classified as what, who, how much, contribution and risk)¹³, as outlined in the graphic below;

Types of impact generated by initiatives in which investments are made



¹³ To find out more, go to: <https://impactmanagementproject.com/>

The 5 dimensions of Impact Management Project

WHAT?

What level of outcomes occurs during the period?

Is it positive or negative in relation to an established minimum threshold or outcome baseline?

Is it important to the people experiencing the effect, or to the planet?

WHO?

Who is impacted by the outcomes?

To what extent are affected stakeholders underserved in relation to the outcome?

HOW MUCH?

What is the change trajectory in the outcome?

How many people?

How long does it last?

CONTRIBUTION

Would the change probably have occurred regardless?

RISK

What is the risk for people and the planet if the impact does not have the expected effect?

Source: Impact Management Project.

2. **Theory of Change¹⁴ (or Cultural Impact Cycle):** It identifies and explains the causal links between impacts, outcomes (long-term results), outputs (short-term results), activities and inputs¹⁵;
3. **UN Sustainable Development Goals (SDG):** They identify and define the priorities and aspirations for building a more sustainable world and future for all¹⁶;

As indicated by **Luis Berruete**, Co-Founder and Managing Partner of Creas, there is always a variety of procedures for measuring impact, which is why it is important to select the one that is most suitable for your initiative. "As part of our investment strategy, we develop the Theory of Change for the initiative before embarking on project management, and we introduce new KPIs to measure and monitor impact".

The implementation of these and other methodologies produces a **wide range of impact indicators and indices**, including:

1. **IRIS+ of GIIN¹⁷:** Tool proposing a metric logging system to facilitate impact analysis and monitoring for investors in the initiative.
2. **Indicators proposed by the SDG¹⁸.**
3. **B Impact Assessment (B Corp):** This impact measurement tool, developed by B Corp, has produced an impact index which covers the organisation's impact on its employees, community, environment, and customers¹⁹.

Organisations face the challenge of implementing and standardising these indicators.

Moreover, impact indicators can be supplemented by certifications such as the UN Principles for Responsible Investment²⁰, the Operating Principles for Impact Management of *Investing for Impact*²¹ or the B Corp certificate.

¹⁴ For a more detailed explanation and examples of the theory of change, see Center for Theory of Change (<https://www.theoryofchange.org/>) and Better Evaluation Project (<https://www.betterevaluation.org/>).

¹⁵ The Theory of Change has been developed for the Performing Arts and Classical Music sector, as outlined in section 5.

¹⁶ To find out more, go to: <https://sdgs.un.org/>

¹⁷ To find out more, go to: <https://iris.thegiin.org/>

¹⁸ To find out more, go to: <https://unstats.un.org/sdgs/indicators/indicators-list/>

¹⁹ To find out more, go to: <https://bimpactassessment.net/>

²⁰ To find out more, go to: <https://www.unpri.org/>

²¹ To find out more, go to: <https://www.impactprinciples.org/>

2 The contribution that culture makes to the economy

The definition of culture is tough to pin down. According to the current definition given by Real Academia Española, it denotes:

“Set of lifestyles and customs, knowledge and degree of artistic, scientific and industrial development, at a given time and specific to a social group”.

The cultural sector covers a range of disciplines including performing arts, plastic and visual arts, books and press, the audiovisual and multimedia industry, heritage, archives and libraries²². Spain is a leader in many of these cultural pursuits, as evidenced by the 44th meeting of the UNESCO Global Heritage Committee²³, at which Madrid's Landscape of Light was named a World Heritage Site. Consequently, Spain has the fourth highest number of cultural heritage sites with 49, behind Germany (51), China (56) and Italy (58).

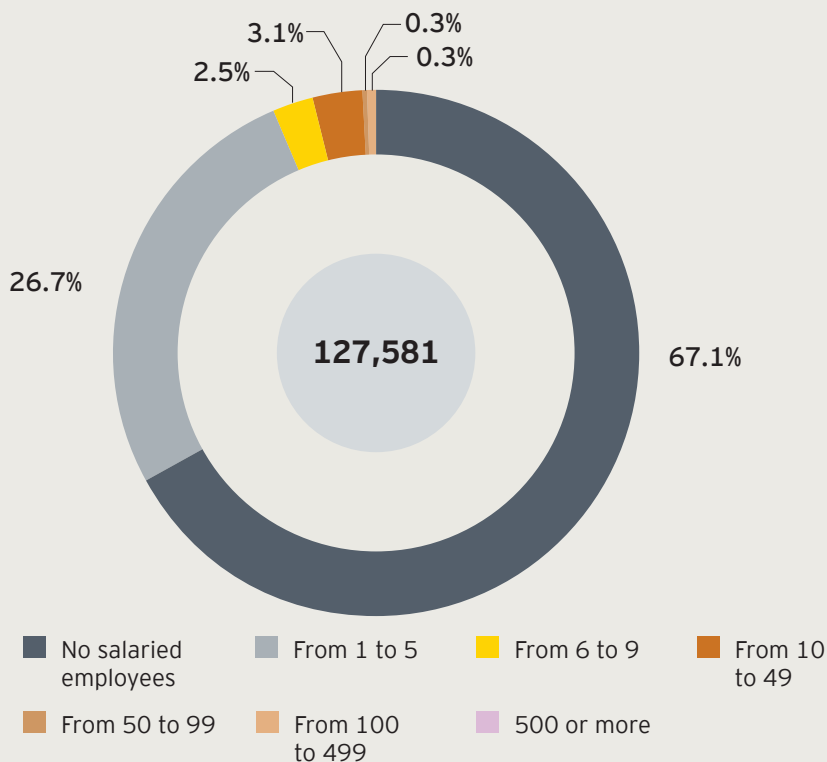
Meanwhile, the fiercely competitive nature of Spain's cultural sector makes it vulnerable at times of crisis. As indicated by Adriana Moscoso del Prado, Executive Director of Creative Industries and Cooperation of the Ministry of Culture and Sport, “Given the small-sized nature of the vast majority of arts organizations in Spain, as well as the massive amount of contractors -dancers, musicians, technicians- make this industry highly isolated and therefore extremely fragile”.

²² Atalaya Cultural Management Support Guide (2020, Fundación SGAE).

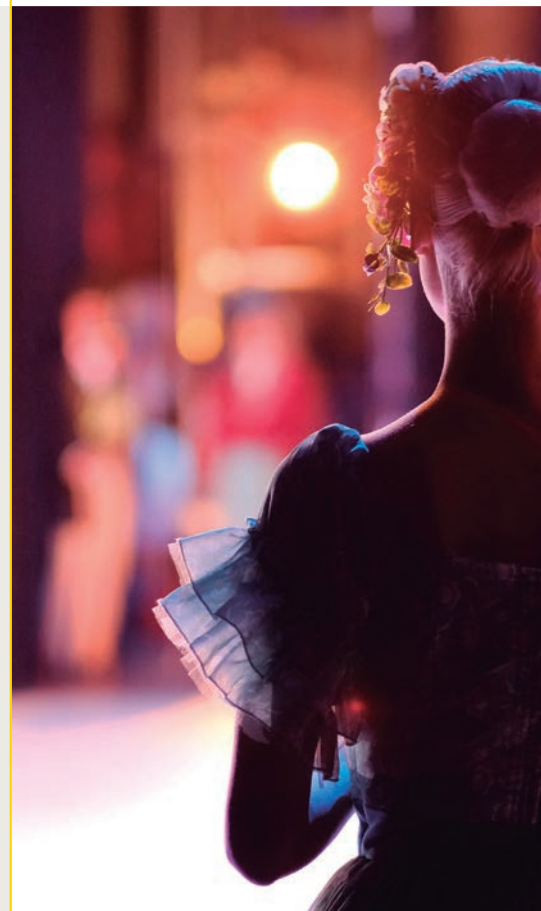
²³ This meeting took place in the Chinese city of Fuzhou in July 2021.

In 2019, Spain had 127,581 cultural service entities, a 4% more than in 2018. Juridically, 92,1% corresponds to physical people, public corporations or limited responsibility corporations.

Number of companies by number of salaried employees (Spain; #; %, 2019)²⁴

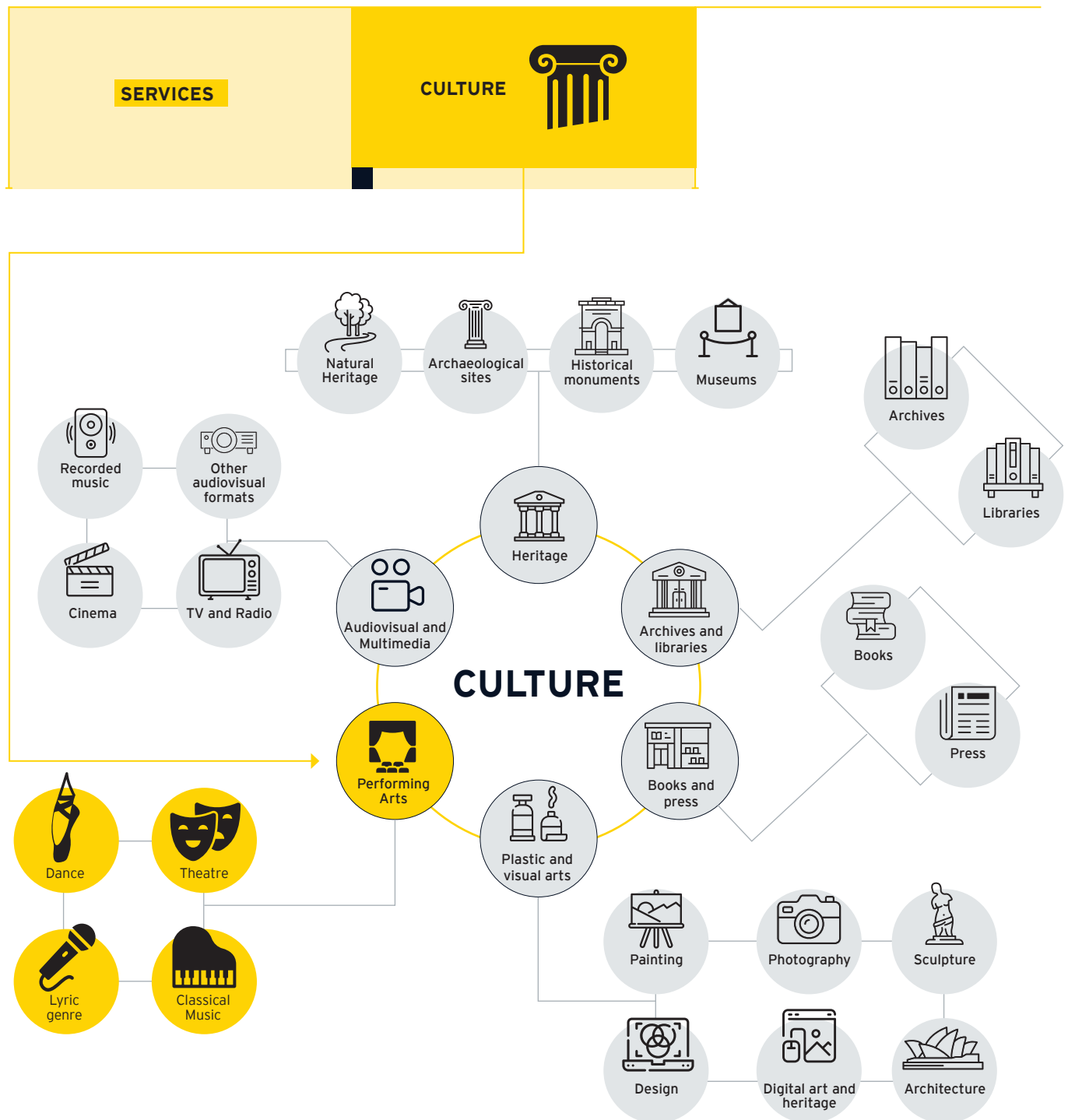


While culture “is an end in itself”, as outlined by **Claudia Morgana**, Coordinator of the State Federation of Dance Companies and Businesses, the businesses of the cultural sector in Spain **have a creative potential which can be harnessed by other sectors of society**. Moreover, **Adriana Moscoso del Prado** emphasises the potential of the cultural and creative industry in the following terms: “They have a lot to offer to other economic sectors, in so far as creativity is now a central part of the transition towards the new system, seeing as it promotes resilience and reconfigures spaces and activities”.



²⁴ Directory of Statistics 2020 (Ministry of Culture and Sport).

Culture covers a wide range of sectors²⁵

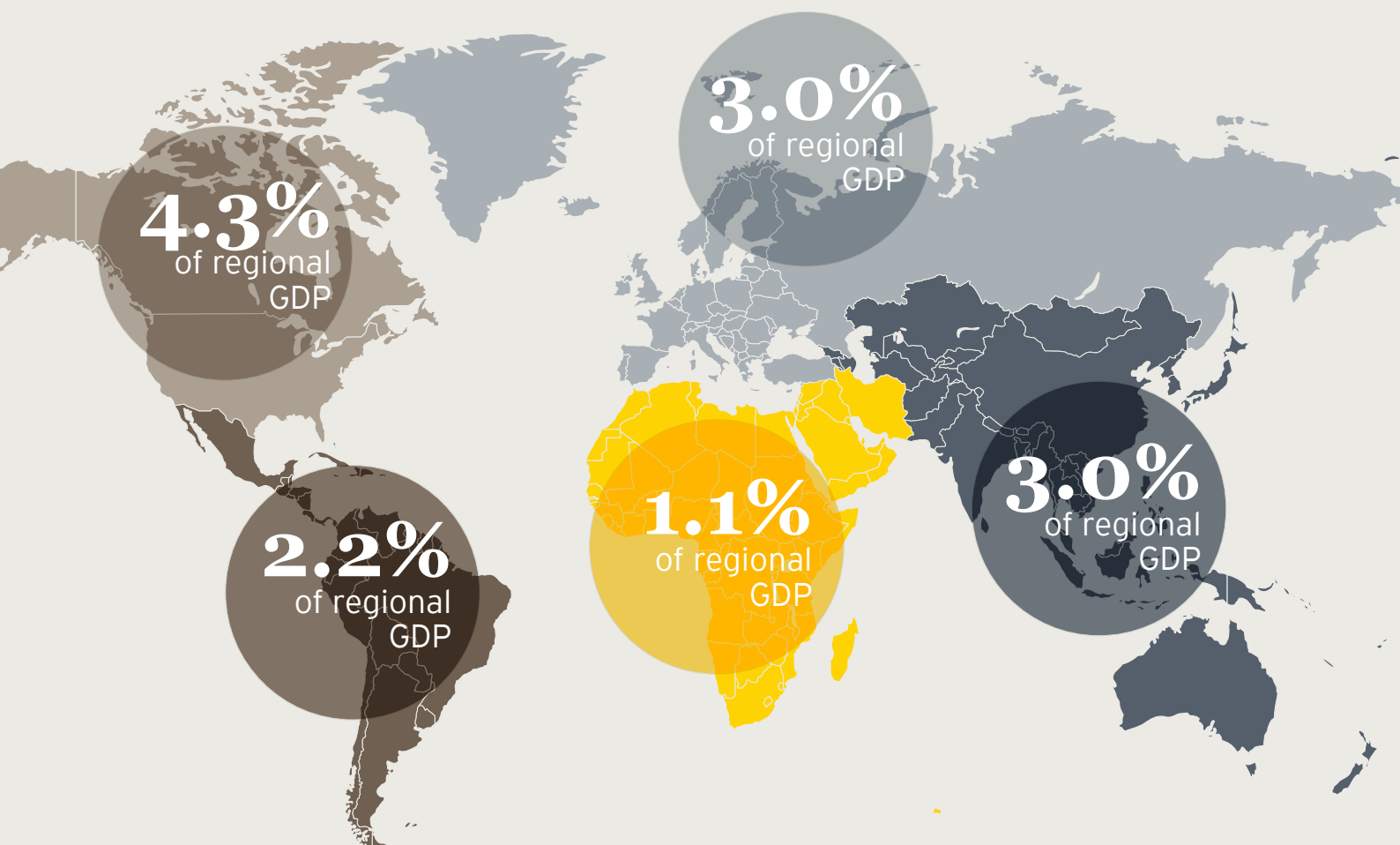


²⁵ Produced by EY on the basis of *Atalaya Cultural Management Support Guide* (Fundación SGAE, 2020); *Economía y Cultura: "Una mirada hacia el futuro"* (Funcas, Crea, Egeda, September 2021).

Where does culture sit in an international context and how does Spain fare against other European countries?

At international level, culture amounts to “culture and the creative economy”. This industry is critical to the economic growth of countries. On average, culture accounts for 3% of global Gross Domestic Product (GDP). According to regional analysis, the greatest contribution made by culture to GDP is in North America, where it accounts for 4.3%, followed by Europe, where the creative economy has historically averaged 3% of GDP.

Contribution made by culture to GDP by global region (%; 2019)



Sources: Cultural times: the first global map of cultural and creative industries, EY 2015.



In Europe, the contribution to GDP is distributed unequally.

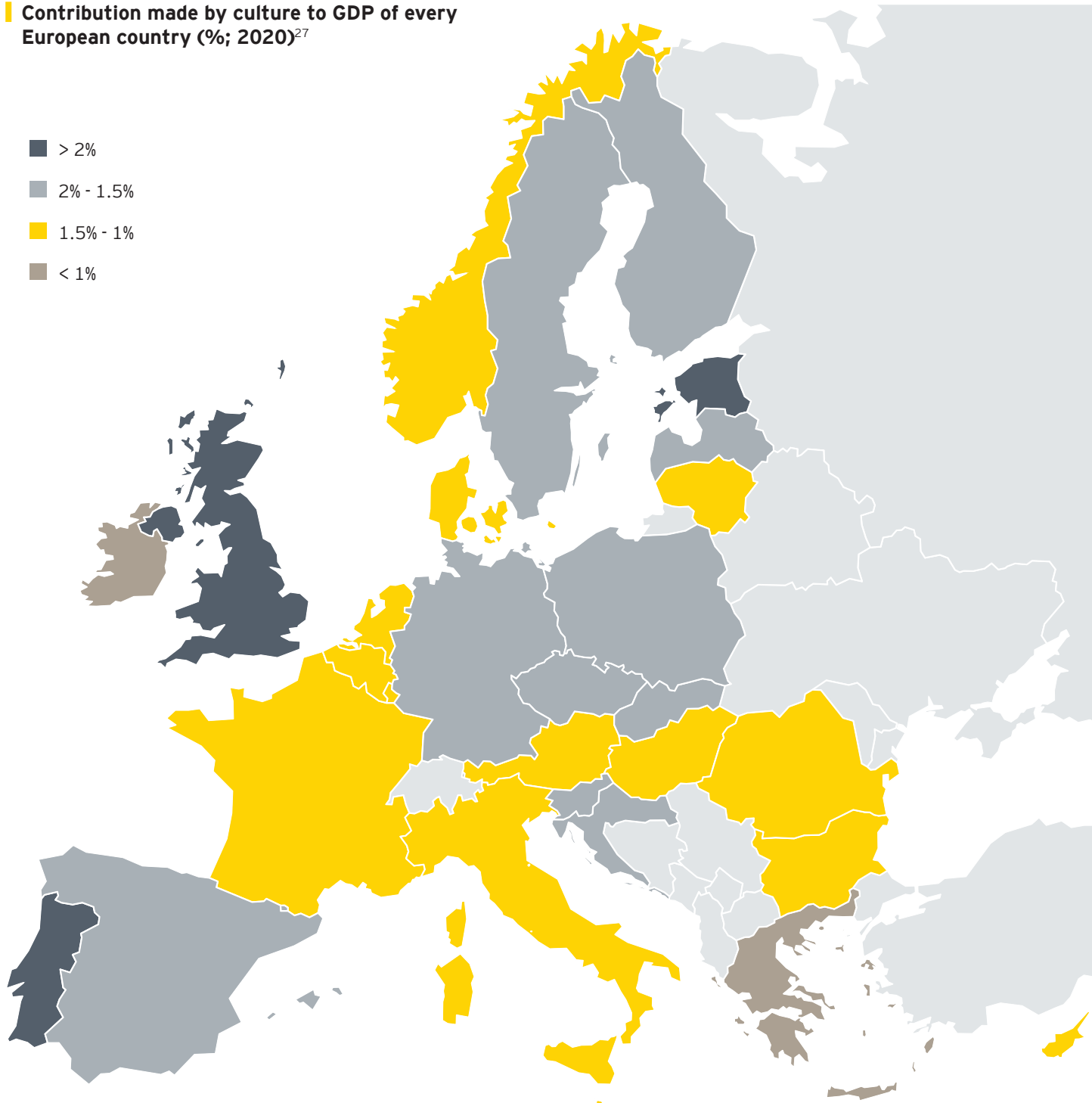
Spain accounts for one of the largest shares of the contribution that culture makes to European GDP. However, in terms of revenue, the fastest growing countries are in Eastern Europe.

In 2019, **this sector accounted for approximately 2.4%²⁶ of GDP in Spain.** However, given the effect of COVID-19 on the sector, estimates indicate that this percentage may fall to approximately 2% between 2020 and 2021.

²⁶ Section 18 of *Directory of Cultural Statistics 2021* (Ministry of Culture and Sport).

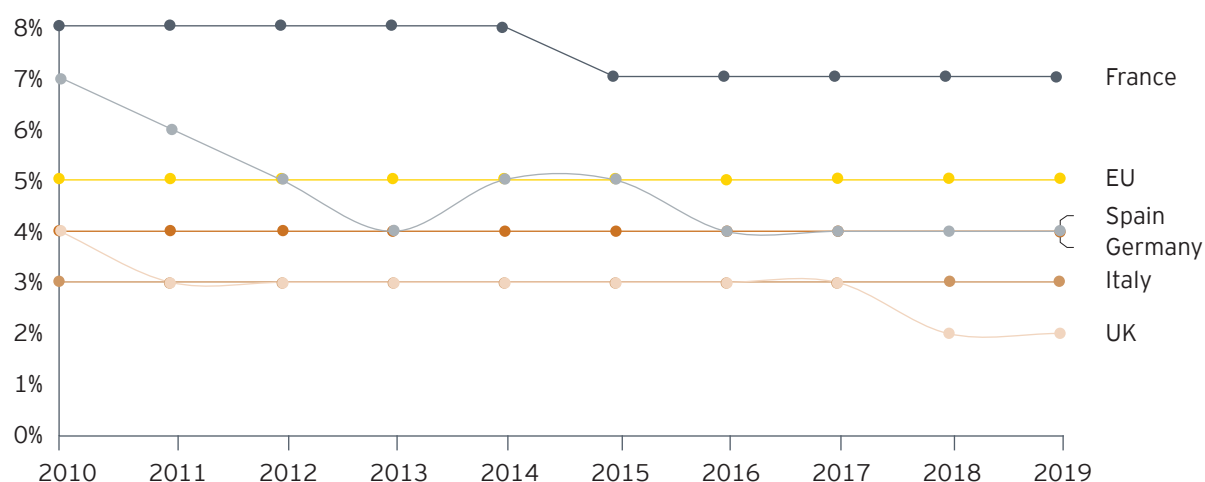
²⁷ Source: Eurostat; GESAC; Professional organisations; EY modelling and analysis 2020; Rebuilding Europe - The cultural and creative economy before and after the COVID-19 crisis (EY, January 2021).

Contribution made by culture to GDP of every European country (%; 2020)²⁷



The amounts spent on culture in Europe vary from one country to the next. France spends an eye-watering 8% of total public expenditure, while the UK and Italy allocate in the region of 2% and 3%. In the past, between 2010 and 2019, the amount spent on culture in the EU remained stable at 5%. Spain deviates from this trend since, in the wake of the 2008 crisis, its expenditure in the sector fell to 4% (compared with 7% in 2010), placing us slightly below the average, on a par with Germany, but ahead of other comparable countries such as Italy or the UK.

Changes in % of expenditure on culture in relation to total public expenditure per country (%; 2010-2019)²⁸

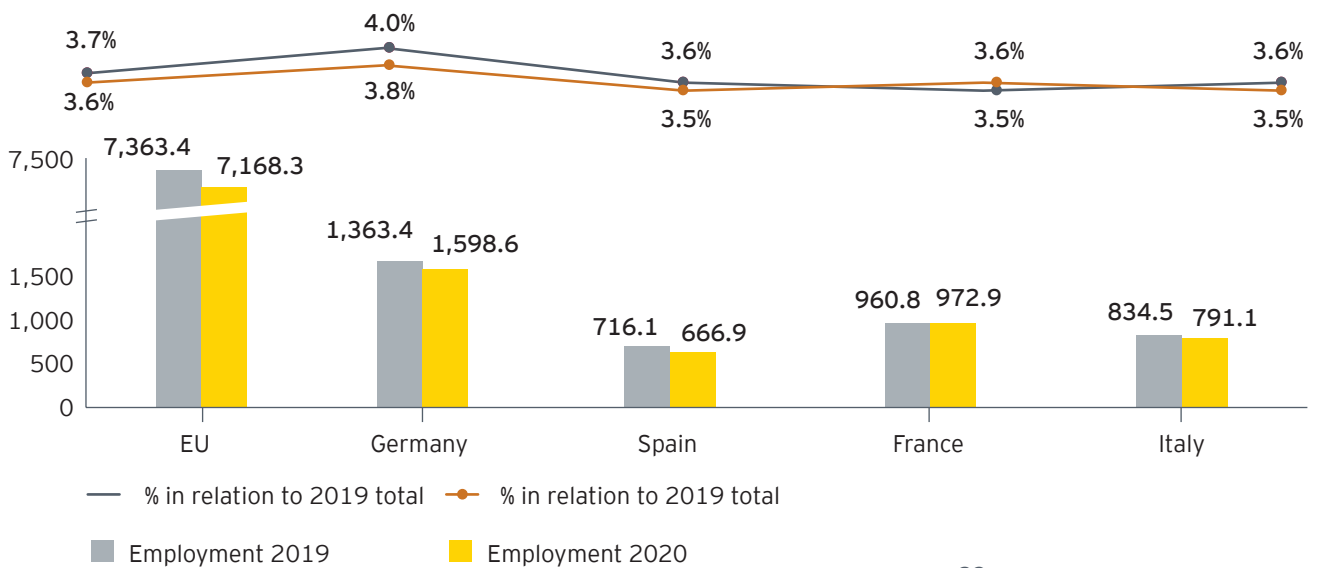


²⁸ EY Analysis on the basis of standardised European indicators (CULTURABase, Ministry of Culture and Sport).

The sector's contribution to the economy is also reflected in employment figures. In 2020, the cultural sector accounted for 3.6% of total employment across the EU, falling by 2.6% to 7.2 million people compared with 2019. This decline is due to the devastating consequences of COVID-19 on European economies.

In Spain, the employment rate in the cultural sector is more or less on a par with the European average, accounting for 3.5% of total employment in Spain in 2020. 70% of all employees of the cultural sector in Spain enter higher education or reach an equivalent level of training. The levels are the same in other comparable countries such as France. The distribution of the workforce by sex is relatively even throughout the EU, with women accounting for 48% of employees, although there are particular features to be taken into account depending on the country.

Employment in cultural sector by country (#thousand; %; 2019-2020)²⁹



²⁹ EY Analysis on the basis of standardised European indicators (CULTURABase, Ministry of Culture and Sport).

3 Introduction to Performing Arts and Classical Music

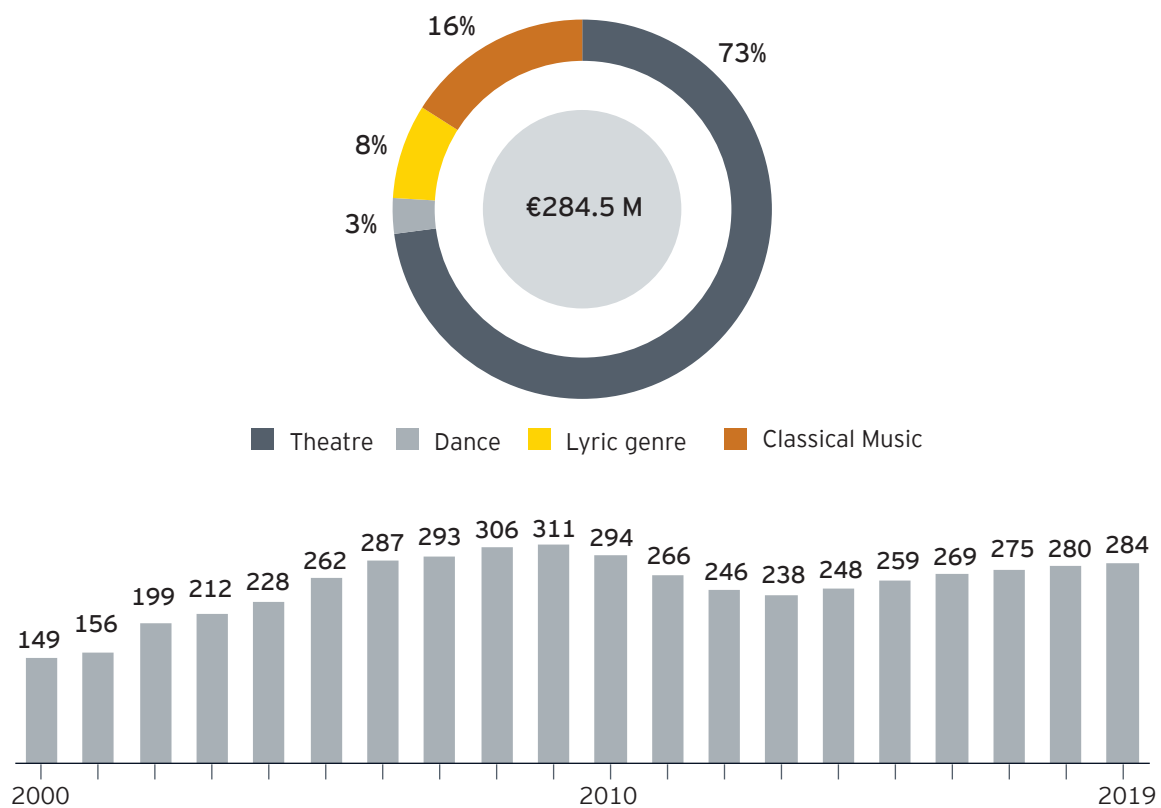
The Performing Arts and Classical Music sector covers the disciplines displayed on the next page which are characterised by their substantial creative potential

While every discipline within the Performing Arts and Classical Music sector (theatre, dance, lyric poetry and classical music) is important in its own right, in terms of revenue, the theatre takes centre stage, accounting for 73%. All other disciplines trail by quite some way, with classical music accounting for the second largest share with 16% of total revenue in the Performing Arts and Classical Music sector.

The evolution of revenue in the Performing Arts and Classical Music sector has hitherto been directly proportional to the sums allocated by Public Administration. In both cases, revenues peaked between 2008 and 2009. However, since 2010, revenues have been falling and reached their lowest levels in 2013 when they amounted to €238 million. As shown below, they have not returned to the peak recorded prior to the last economic crisis.

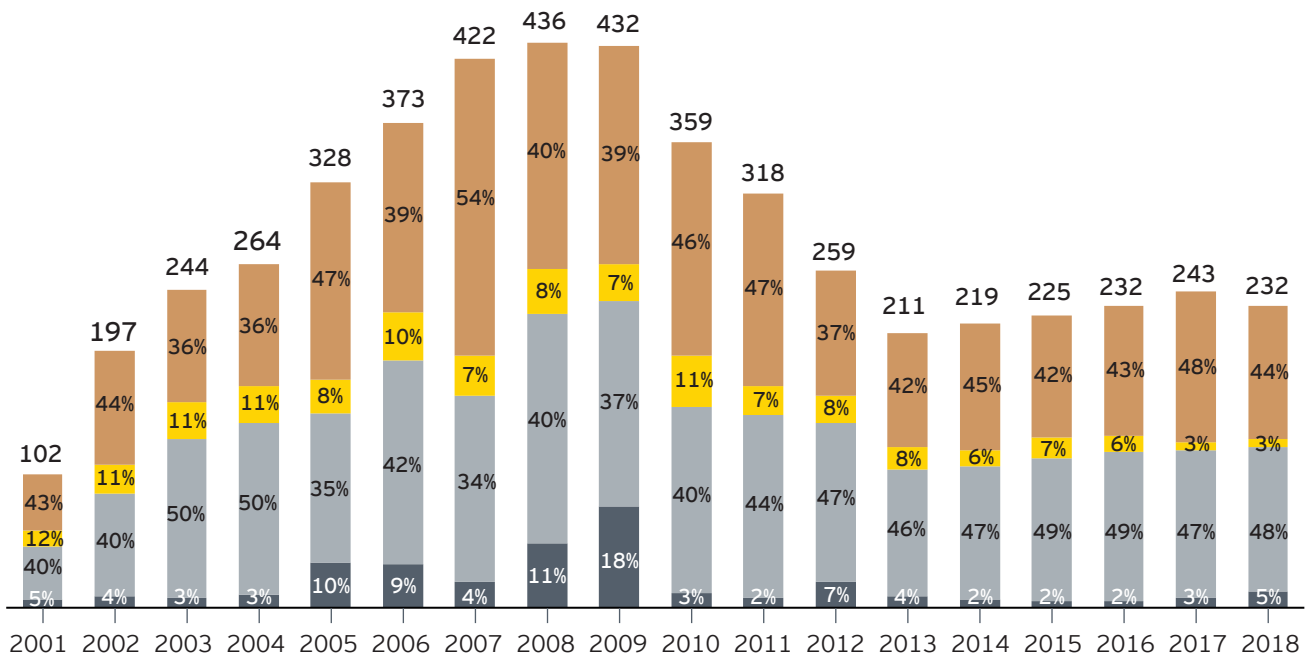


Revenue of Performing Arts and Classical Music (Spain; %; 2019) - (Spain; € million; 2000-2019)³⁰



³⁰ Directory of Spanish Society of Authors and Publishers.

Changes in resources allocated to Performing Arts and Classical Music by Authorities and distribution (Spain; € million; %; 2001-2018)³¹

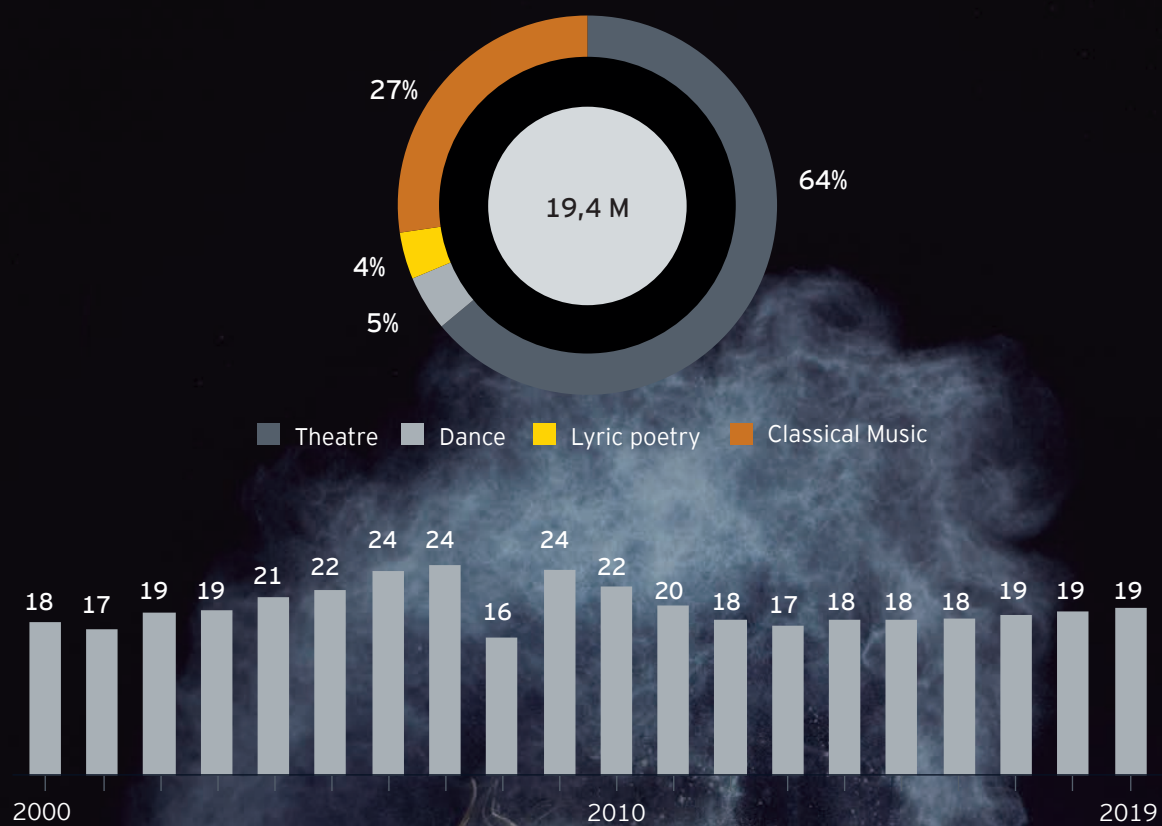


Note: As available information is limited, the term “music” includes classical music and other music genres in this graph.

Spectators and the total number of shows in Spain have evolved in a consistently similar fashion, ending 2019 with 19.4 million spectators and 67,000 performances, with the theatre accounting for the lion's share.

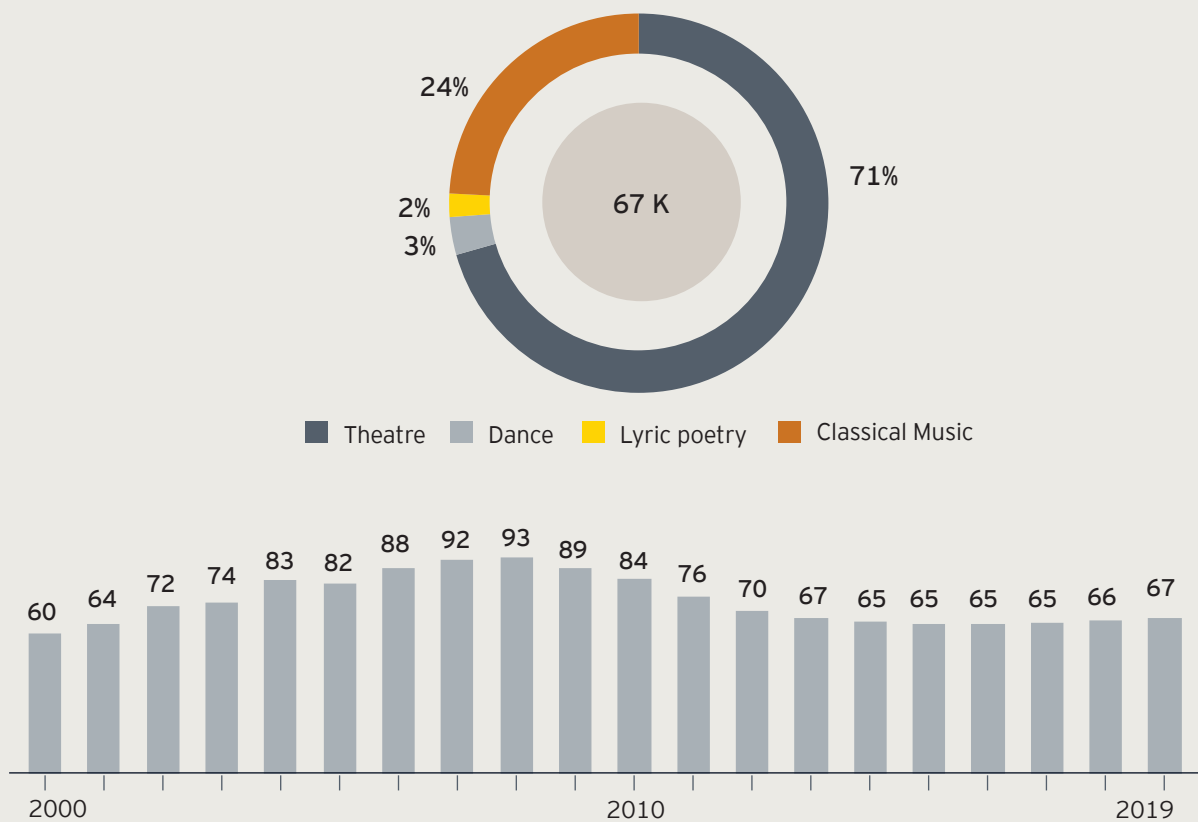
³¹ Directory of Statistics 2020 (Ministry of Culture and Sport).

**Spectators of Performing Arts and Classical Music
(Spain; %; 2019) - (Spain; #million; 2000-2019)³²**



³² Directory of Spanish Society of Authors and Publishers.

**Shows of Performing Arts and Classical Music
(Spain; %; 2019) - (Spain; #thousand; 2000-2019)³³**

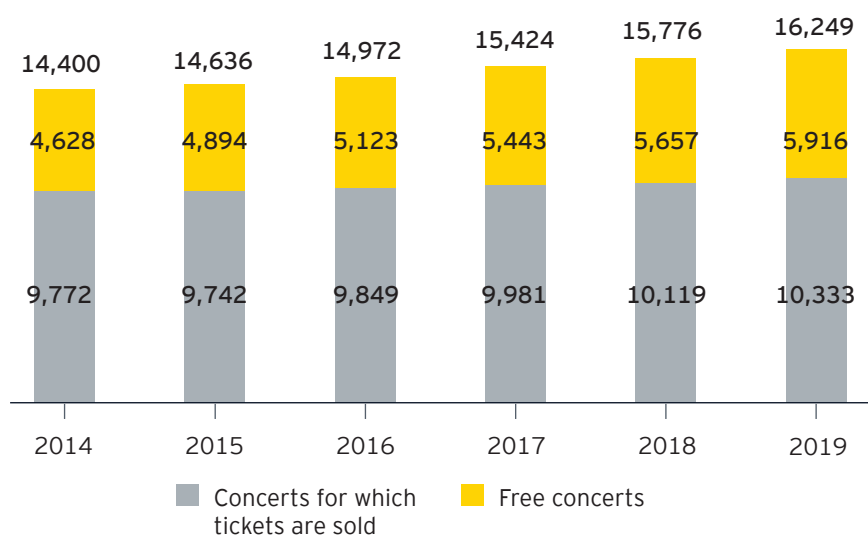


It should be noted that classical music has performed resolutely in recent years, experiencing constant growth both in spectator numbers, with a CAGR14-19 of 3.8%, and concerts held, with a CAGR14-19 of 2.4%. Growth in concerts for which tickets are sold has developed more acutely, with a CAGR14-19 of 5%.

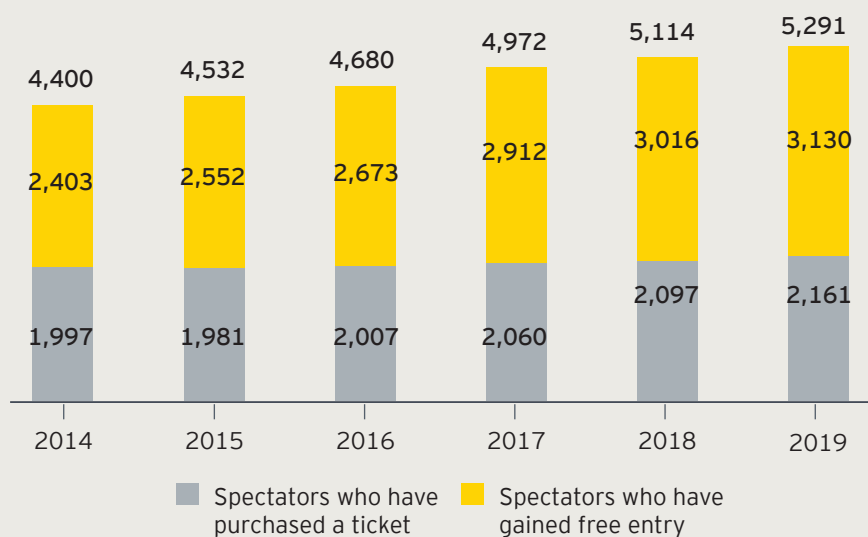
This pattern also remained stable in 2019, when 16,249 concerts were held in Spain, amounting to a 3% increase on 2018. Concerts for which tickets are sold show slightly higher metrics, with growth reaching 4.6% in terms of number of concerts held in 2019, in comparison with 2018.

³³ Directory of Spanish Society of Authors and Publishers.

Changes in classical music concerts (Spain, #; 2014-19)³⁴



Changes in spectator numbers at classical music concerts (Spain, #; 2014-19)³⁵



The Performing Arts and Classical Music sector is characterised by an extensive cultural cycle, whether that concerns a theatrical performance or a classical music concert, and also covers various complementary and fundamental activities in relation to the final product. All these activities are key as they create a positive impact and stimulate employment.

As part of the cultural cycle, **the cultural project manager has a vital role to play, as he/she usually has the profile to coordinate all activities**, from the creation of content to the promotional, training, and ancillary activities.

³⁴ Directory of Spanish Society of Authors and Publishers.

³⁵ Directory of Spanish Society of Authors and Publishers.

The cultural cycle of the Performing Arts and Classical Music sector³⁶

SERVICES

CULTURE



³⁶ Produced by EY on the basis of the publication *Economía y Cultura: "Una mirada hacia el futuro"* (Funcas, Crea, Egeda, September 2021).

The **cultural project manager** is a key figure at every stage of a project's cultural cycle.

1

Creation

Activities relating to the development of artistic ideas (artists, authors, etc.).

2

Production

Activities aimed at defining the cultural product or service.

4

Interpretation, exhibition and programming

Activities performed live, with the need for physical performance spaces.

3

Manufacture

Activities undertaken to mass produce primary cultural assets. Value is not added to the cultural content of the asset.

5

Broadcasting and distribution

Activities to ensure that the product reaches the user (marketing and distribution).

6

Development and regulation activities

The various activities undertaken by the Public Administration.

8

Ancillary activities

These activities support all other activities carried out to obtain the product.

7

Educational activities

Includes instruction related to the cultural sector.

Financial supporters: can be found at any stage in the process

4 Generating impact through Performing Arts and Classical Music

Performing Arts and Classical Music are socio-cultural and artistic manifestations that have a much greater impact on the economy and society than the value of the consumed product or service. You might even say that culture has a holistic value given its impact on multiple aspects of individual life, society, and the economy.

The value ingrained into culture can affect the individual directly, for instance by improving the quality of his/her education and health or well-being, and society as a whole, by enhancing local culture and heritage, creating more robust and inclusive communities and building trust in public institutions³⁷.

The long-term impact of Performing Arts and Classical Music essentially involves creating a better educated and more inclusive society, while helping to improve well-being and, consequently, enhancing quality of life.

As indicated in the UN Courier publications, culture is key to achieving the targets of the SDG. **While culture has no specific purpose, it has an overarching influence on many of the 17 goals proposed by the UN.**

³⁷ Holden, 2004.









Human creativity is so important to sustainable development that UNESCO, the United Nations Educational, Scientific and Cultural Organization, created the *Creative Cities Network* in 2004 to promote culture as a strategic factor for development. As things stand, more than 246 cities from around the world have endorsed this initiative. Another example is the Bauhaus initiative, which calls on all Europeans to build a sustainable future together through art and culture, and the connection of both worlds. This initiative embraces environmental and digital challenges with a view to improving society.

Within the cultural sector, Performing Arts and Classical Music are key to achieving the targets of the SDGs, not least SDG 3 (Good Health and Well-being), SDG 4 (Quality Education), SDG 8 (Decent Work and Economic Growth), SDG 10 (Reduced Inequality) and SDG 11 (Sustainable Cities and Communities). Performing Arts and Classical Music can also contribute to SDG 5 (Gender Equality) and 17 (Partnerships for the Goals).

This sector has an intrinsic impact, as asserted by **Ignacio García-Belenguier Laita**, Executive Director of Teatro Real: “Culture is so important to society that its strategic value should be emphasised; that’s why it is vital to measure its impact and evolution”.

For the purpose of analysing the impact of the Performing Arts and Classical Music sector, a Theory of Change methodology has initially been developed for the sector, presenting the trajectory from its main inputs and activities to the outcomes and changes produced. This table relates the SDG and the Performing Arts and Classical Music, and presents the preliminary approach adopted to analyse the impact of the Performing Arts and Classical Music sector.

Table of Theory of Change of the Performing Arts and Classical Music sector

 <p>Inputs</p>	<ul style="list-style-type: none"> ▶ State subsidies ▶ Public and private donations ▶ Internal revenue streams ▶ Loans ▶ Private investment
 <p>Activities (Processes)</p>	<ul style="list-style-type: none"> ▶ Staging of theatrical and musical events ▶ Instruction in performing arts and music ▶ Workshops and mentorship ▶ Social Action ▶ Development of musical and theatrical works ▶ Digital activities (e.g., broadcasting of concerts)
 <p>Outputs (Immediate results)</p>	<ul style="list-style-type: none"> ▶ Development of capacity for critical thinking ▶ Development of leadership skills ▶ Development of social skills ▶ Increased participation in collective initiatives ▶ Greater access to culture, including vulnerable and/or minority groups ▶ Greater understanding of culture and heritage ▶ Economic development ▶ Job creation ▶ Generation of tourism
 <p>Outcomes (Changes in the individual and/or environment)</p>	<ul style="list-style-type: none"> ▶ Improved linguistic communication ▶ Improved self-esteem ▶ Increased confidence ▶ Increased creativity and originality ▶ Greater empathy ▶ Greater integration and social interaction ▶ Reduced stress levels ▶ Improved emotional well-being ▶ Greater willingness to protect and safeguard cultural heritage ▶ Increased levels of personal happiness ▶ Greater productivity of employees ▶ Integration in society
 <p>Impact (Changes in society)</p>	<ol style="list-style-type: none"> 1. Improving the quality of education (SDG 4) 2. Improving employability and professional development (SDG 8) 3. Improving well-being and quality of life (SDG 3) 4. Creating a more inclusive and sustainable society (SDG 10 & 11) 5. Making people happier in their private lives, with the subsequent effect that they feel happier at work (SDG 8)
<p>SDG</p>	

The five identified impacts of the sector are set out below:

SDG

1

Improving the quality of education



Education is key to socio-economic mobility and facilitates structural change in a society. Performing Arts and Classical Music affect all aspects of education, ranging from quality to inclusion.

2

Improving employability and professional development



Performing Arts and Classical Music help to develop self-confidence and improve self-esteem. Theatrical and musical activities also develop essential skills that current employers often look for in prospective employees, such as social skills and teamwork.

3

Improving well-being and quality of life



Performing Arts and Classical Music have a positive impact on mental health. While engaging actively with the arts is no panacea, there is ample evidence to suggest that placing the arts at the centre of our home lives and education systems can produce positive impact on mental health.

4

Creating a more inclusive and sustainable society



Performing Arts and Classical Music help to develop the personal and social skills needed to cultivate a mindset that is more accepting of - and sensitive to - different cultures, peoples, races and ethnicities.

5

Making people happier in their private lives, with the subsequent effect that they feel happier at work



This externality is based on two premises:

- Culture, and specifically Performing Arts and Classical Music, makes people feel happier in their private lives; and
- Personal happiness is directly related to the level of happiness one feels at work.

Sustainable Development Goals involved**1****Improving the quality of education.**

It is possible to improve the communication skills and academic performance of students, especially from lower socio-economic groups.

Education is key to socio-economic mobility and facilitates structural change in a society. The mission statement of SDG 4 (Quality Education) is to ensure inclusive and equitable quality education and promote lifelong learning opportunities for all. Performing Arts and Classical Music affect all aspects of education from quality to inclusion, not to mention the development of various skills such as creativity and cooperation.

These impacts are predominantly related to the following goals:

4.3

Ensure equal access for all women and men to quality technical, vocational, and tertiary education, including university.

4.4

Substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs, and entrepreneurship.

4.7

Ensure all learners acquire knowledge and skills needed to promote sustainable development, including, among others, through education for sustainable development and sustainable lifestyles, human rights, gender equality, promotion of a culture of peace and non-violence, global citizenship, and appreciation of cultural diversity and of culture's contribution to sustainable development.



According to a UK study involving 6,209 children (Wan Mak & Fancourt 2019), actively engaging in music, literature, design, and painting directly improves self-esteem in all demographic, socio-economic and family contexts.



A study involving more than 30,000 students (Winsler, 2019) shows that students enrolled in arts courses appear to outperform their peers, in the same and subsequent years.



The creation and interpretation of texts and the reading of theatrical texts, for instance, is one of the most effective ways of improving communication skills. Theatrical performance also enables participants to improve non-verbal communication and body language.



In a study involving 25,000 secondary schools over a 4-year period in the USA (Catterall, 2009), a meaningful connection was established between the teaching of arts subjects and academic success, especially among students from lower socio-economic groups.

Sustainable Development Goals involved**2****Improving employability and professional development. Students who engage actively with the arts are more creative and have better employability.**

Better employability and professional development are directly related to SDG 8 (Decent Work and Economic Growth), and especially to the goal of:

8.3

Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage formalization and growth of micro-, small-, and medium-sized enterprises including through access to financial services.

The labour market highly values attributes such as self-confidence, self-esteem, personal identity, creativity, and the capacity to transmit thoughts, feelings, or physical skills to others. Theatrical and musical activities also develop essential skills that current employers often look for in prospective employees, such as social skills and teamwork.

Teamwork is a key component of Performing Arts and Classical Music, to the extent that specialists from different artistic fields often need to work in unison to produce a single spectacle. The ability to synchronise the needs of the individual with those of the collective is pivotal to the success of a spectacle.



Van Liemt (2014) asserts that creative industries make a positive contribution to innovation and economic growth. They also help to improve employability throughout society. Those employed in the culture and arts sector tend to have higher than average levels of motivation and resilience, not to mention a higher level of education.



A survey conducted in 2017 (Wolff and Fulton 2017) shows that almost 45% of business executives believe that Americans lack the most basic skills required to succeed on the 21st century labour market: communication, creativity, cooperation, and critical thinking.



According to a study produced by the Arts Education Partnership in 2013, students of art courses:

- ▶ Perform better in creativity assessments.
- ▶ Outperform their peers in tests that measure the capacity to analyse information and resolve complex problems.
- ▶ Develop cooperation, communication, and leadership skills.
- ▶ Students are also prepared to put these skills to effective use as they develop a strong sense of identity and confidence in their ability to make a significant impact on the world.

Sustainable Development Goals involved**3****Improving well-being and quality of life.**

Art therapy applies arts-based techniques to tackle mental health problems such as anxiety or depression.

Improving well-being for all at all ages is directly related to SDG 3 (Good Health and Well-being). Performing Arts and Classical Music predominantly influence the goal:

3.4

Reduce premature mortality by one third from non-communicable diseases through prevention and treatment and promote mental health and well-being.

The arts can have a positive impact on mental health. While engaging actively with the arts is no panacea for all mental health challenges, there is ample evidence to suggest that placing the arts at the centre of our home lives and education systems can produce positive impact on mental health.

The relationship between the arts and mental health is well-established in the field of art therapy, which applies arts-based techniques (such as painting, dance, and role plays) and evidence-based interventions for health problems such as anxiety and depression.





Recent studies show the therapeutic potential of intensive MBAT (*Mindfulness-based art therapy*) and other mindfulness-based interventions for serious conditions such as cancer, cardiovascular disease and anxiety (Beerse et al., 2019). Moreover, the study of Clift et al. 2012, concludes that adults analysed over a period of three months were able to reduce their levels of depression and anxiety by joining a choir.



Other studies claim that creative pursuits can reduce levels of cortisol (stress markers) to the point of inducing a positive mental state (Kaimal et al., 2016); this theory is also supported by other previous studies such as Kim (2013) and of cancer patients (Puetz et al., 2013).



The relationship between mental health and the arts is a growing field of academic study. One example is the "*Scottish Mental Health Arts Festival*" (SMHAF) whose purpose is to support and explore how the arts (music, theatre, dance, cinema, visual arts, and literature) can help to prevent mental illness and challenge the stigma of mental health. Spearheaded by the Mental Health Foundation, SMHAF combines a substantial artistic quality with a strong base support, community participation, and social activism.



As asserted by the World Health Organization (Fancourt & Finn, 2019), artistic pursuits have a positive effect on health and well-being. That is why governments are being urged to incorporate the arts into their health policies. Not only in promotion and prevention, but also in the management and treatment of disease. Moreover, the arts are a bona fide way of reducing loneliness and social isolation, especially for those living in rural areas.

Sustainable Development Goals involved**4**

Creating a more inclusive and sustainable society. Performing Arts and Classical Music help to develop the skills needed to cultivate a mindset that is more accepting of different cultures, peoples, races and ethnicities.

A more inclusive and sustainable society means that everyone has the same opportunities and rights, and meets present needs without compromising future opportunities.

This concept is predominantly outlined in SDG 11 (Sustainable Cities and Communities) and SDG 10 (Reduced Inequality), especially in relation to goals:

10.2

Empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion, or economic or other status.

11.4

Strengthen efforts to protect and safeguard the world's cultural and natural heritage.

Performing Arts and Classical Music help to develop the personal and social skills needed to cultivate a mindset that is more accepting of - and sensitive to - different cultures, peoples, races and ethnicities. Their greater empathy and sensitivity to the needs of others will result in a less discriminatory and unequal society. This will promote integration, regardless of a person's personal, economic, or social status, as well as social integration.



According to Massé (2009), the theatre is an effective communication tool and its effectiveness has not gone unnoticed in the field of environmental education. Some examples include dramatisations and role plays, storytelling and social theatre.



"[...] Where the speech of man stops short there Music's reign begins" (Richard Wagner). Music has the power to inspire and sensitise, and therefore to prompt people to engage in sustainable behaviours and practices. One example is the inter-disciplinary show produced by the Reina Sofía School of Music, where music and dance students tell the story of the need to protect the environment (*"The sound of recycling"*).



Various studies such as Tay et al. (2018) or Westgate, E.C.; Oishi, S. (2020), suggest that artistic pursuits are the building blocks of a collective identity, as they promote integration throughout society.

Sustainable Development Goals involved



5

As Performing Arts and Classical Music make people happier in their private lives, they subsequently feel happier at work

Happiness is defined by the Real Academia Española as the “state of pleasant spiritual and physical satisfaction”. Happiness is the state to which we, as individuals, aspire, whether we lead active social lives or live in isolation. Happiness enables individuals to feel fullness or satisfaction, which is subjective and dependent upon every person’s individual characteristics. Performing Arts and Classical Music make the audience feel happy and, when the audience returns to work, they carry this happiness into the workplace, which can affect the productivity of organisations.

This externality by which Performing Arts and Classical Music, on the one hand, and happiness and productivity, on the other, are bound, makes for a happy workforce in society and promotes economic growth in a country, as represented by SDG 8 (Decent Work and Economic Growth). Particularly in relation to:

8.2

Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labour-intensive sectors.

8.3

Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage formalization and growth of micro-, small-, and medium-sized enterprises including through access to financial services.

8.5

By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value.

While there are currently several schools of thought as far as happiness is concerned, a consensus has not yet been reached in respect of the factors that affect the measurement of happiness.

The UN has been analysing the Happiness index of every country since 2012, based on GDP per capita, the freedom of citizens to make life choices, social integration, or life expectancy, to name but a few.

A network of British economists, under the New Economics Foundation, created the Happy Planet Index in 2009, with Spain ranked in 15th position.

Veenhoven, R. of the Erasmus University Rotterdam (Netherlands) created the World Database of Happiness to aggregate and organise existing literature.



5

As Performing Arts and Classical Music make people happier in their private lives, they subsequently feel happier at work

Performing Arts and Classical Music make people happier

There is a direct link between attending cultural events and happiness, as asserted by Wang and Wong in their 2014 study of more than 48,000 people from more than 33 countries. Several studies produced by individual countries have shown a positive correlation between both factors. In Germany, this correlation was revealed after analysing a sample of more than 20,000 people (Frey, 2019). In Croatia, the correlation was identified in people over the age of 30 (Brajša-Žganec et al., 2011). One study carried out in South Korea found that variety in cultural activities increases happiness to a greater degree than the number of events attended by the individual (Kim & Kim, 2008).

Marsh and Bertranou, 2012, identified that the positive correlation between attending concerts and happiness was greater in individuals who do not frequently attend this kind of event.

Gross et al., (2011) demonstrated that attending classical music concerts, the ballet, or the opera, has a bearing on an individual's satisfaction and increases their happiness.



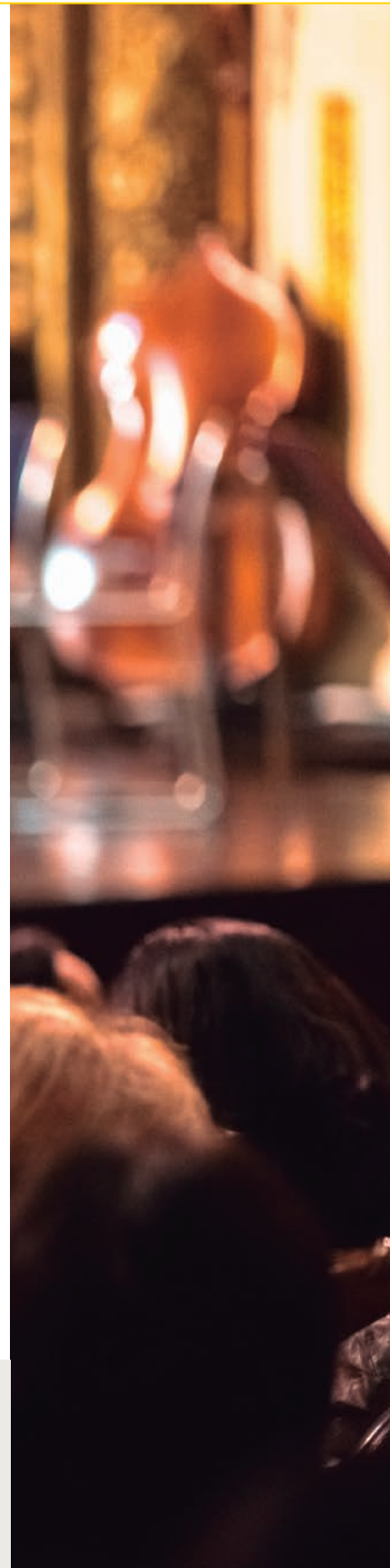
If happiness at a private level increases happiness at a professional level, then this may increase productivity across the economy


A happier individual has a better mindset and, in turn, makes for a more productive employee. Happiness therefore boosts productivity. This increase in productivity at an individual level is extrapolatable to the productivity of the company and finally to the productivity of society. The following conclusions are drawn from the body of research:

Initial theories concerning the impact of happiness on productivity arose in the early 1930s. One example was the publication of R. B. Hersey (*Worker's Emotions in Shop and Home*, 1932), which identified the first links between a person's emotional state and their productivity. Several decades later, in the 1990s, Wright et al. (1993) established a link between happiness and creativity, better negotiating skills and, finally, more productive and happier employees.

92% of Australian workers analysed as part of Fisher's study (2003) state that their productivity increases with their level of happiness. Moreover, the study of Oswald, Proto and Sgroi (2015) reached the conclusion that individuals with a positive mental attitude are 12 times as productive as all others.

According to Positive Emotions at Work (2020) of Diener, E.; Tay, L.; Thapa, S., "there is increasing evidence of the benefits of positive emotions in the workplace, especially in respect of creativity, work engagement, teamwork, cooperation, leadership, and professional output.





5 Relevance of Performing Arts and Classical Music for impact investors, patrons, and sponsors

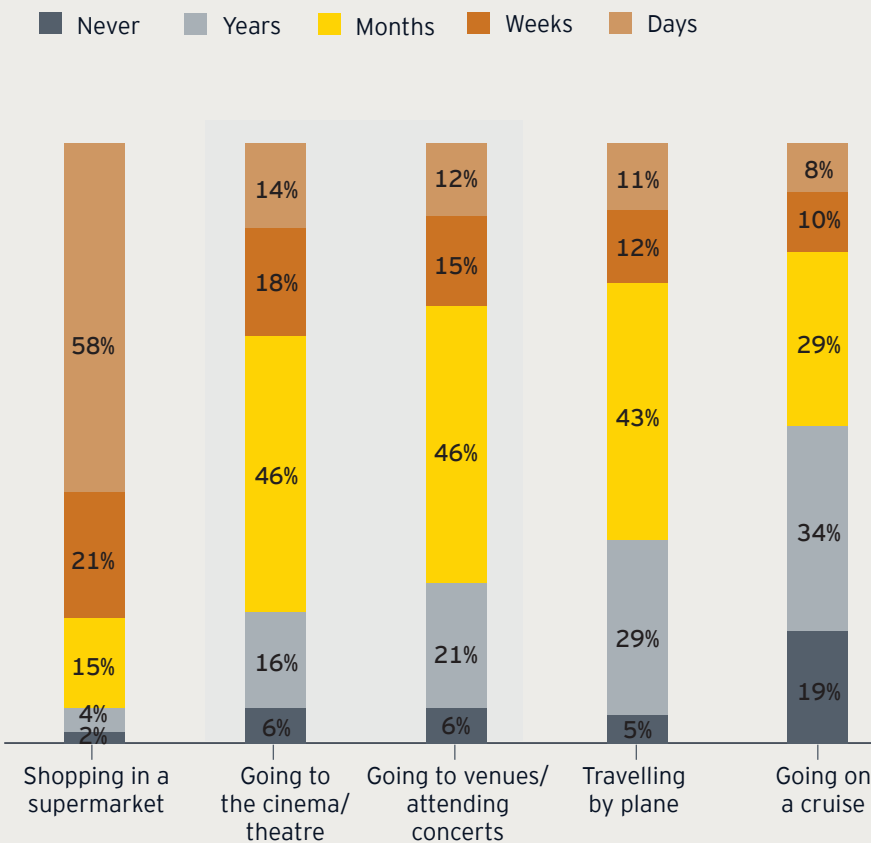
The role of impact investors

As the Performing Arts and Classical Music sector navigates its way through the turbulence of digital transformation, an opportunity presents itself for patrons, sponsors, and investors, particularly those who are looking to generate an impact.

While the Performing Arts and Classical Music sector has historically been overshadowed by other cultural sectors such as the audiovisual industry, **COVID-19 has turned the tables in favour of the Performing Arts and Classical Music sector.** Whereas the general public feel that their consumption of audiovisual content has reached excessive levels, due in no small part to lockdowns and periods of self-isolation, demand for Performing Arts and Classical Music, i.e., live shows, has remained unchanged over time. The sector must be ready to seize this unique opportunity.

The recent EY report looking into the impact of COVID-19 on European creative sectors considers the length of time that the general public will wait before returning to theatres and attending live shows. It estimates that **approximately 73% of Europeans with an interest in these cultural pursuits would like to return to theatres and attend live shows within a period of one year.**

How long will the general public wait before undertaking leisure activities? (EU; %; 2020) ³⁸



³⁸ Source: Rebuilding Europe - The cultural and creative economy before and after the COVID-19 crisis (EY, January 2021).



The Performing Arts and Classical Music sector is an attractive prospect for private investors, not only due to the impact it has, but also on account of the business opportunities it presents. **Following in the footsteps of the education and healthcare sectors of developed economies, the Performing Arts and Classical Music sector is experiencing a *renaissance***, which should be closely analysed and monitored.

Private investment in the education and healthcare sectors led to a significant change of mindset in both. To unlock the potential of these sectors, it was necessary at first to stimulate and promote investment opportunities which had traditionally been the preserve of the public sector or religious orders in the cases of education and healthcare.

The Performing Arts and Classical Music sector is experiencing this *renaissance*, following in the footsteps of education and healthcare, where private investors are able to stimulate and identify investment opportunities based on a creative approach. The renaissance takes the following form:

1

Private investors are unwilling to invest in the sector for historical reasons and, occasionally, due to their reluctance to invest in sectors that have traditionally relied on public-sector financing.

To appreciate the potential of the Performing Arts and Classical Music sector, attention should focus on the future potential of the sector, and not solely on the present situation.

2

While some cultural institutions fail to grasp the added value of a private investor, more and more successful public-private partnerships are starting to emerge in the sector. **Lorenzo Martínez de Alborno**, Founding Partner and Director of GPF CAPITAL, remarks that “The key point is whether the industry will follow the lead of the audiovisual sector and open up to private capital. This case of the audiovisual sector perfectly illustrates how all professionals of the sector can benefit”.

3

The sector has significant impact drivers and is characterised by growing demand for impact projects, which generates additional value for certain private investors who wish to “take the philanthropic value of their investments to the next level”.

4

In some cases, the sector is managed by **teams that aspire to improve management practices**, not least in field of finance. As culture officials have traditionally taken a hands-on approach at every stage of event creation and development, it has been difficult to deliver specialised marketing, operations and finance-based solutions. As such, this presents an opportunity for ambitious managers with the necessary expertise in these fields.

According to **Patricia Gabeiras**, Founding Partner of Fundación Gabeiras, instead of stigmatising the sector, the focus should be on identifying opportunities and areas for improvement: “It is a mistake to think that “professionalisation” refers exclusively to management and finance. These individuals are professionals, though perhaps not in the field of management and finance”.

5

By and large, the sector does not operate under flexible and digital business models that are able to expand markets either nationally or globally. **Shows and events tend to be geared towards local audiences and are relatively unscalable.**

However, change is afoot and more opportunities are coming to light.

6

The sector has the opportunity to design cultural products in such a way that they prioritise the beauty of art rather than consumer demands, and are, on an ancillary basis, **adaptable to the whims of changing consumer preferences.**

One example is the staging of a cycle of concerts at unique locations. As explained by **Juan Antonio García Peredo**, Managing Partner of Elipsis Capital: "A clear example is our cycle of concerts at Jardines de Pedralbes, which is a successful product characterised by a low-price elasticity of demand." This highlights that demand for certain cultural products can remain stable even when prices rise. Juan Antonio also asserts that "in terms of the product, the sector in general can do more; the design of the product should always factor in the sale of experience".

Another example is also found in the Reina Sofía School of Music. "Our concepts are profitable and scalable, for instance, the leadership workshops organised for businesses and the Summer Camp for young musicians", remarks the School's CEO, **Julia Sánchez Abeal**.

7

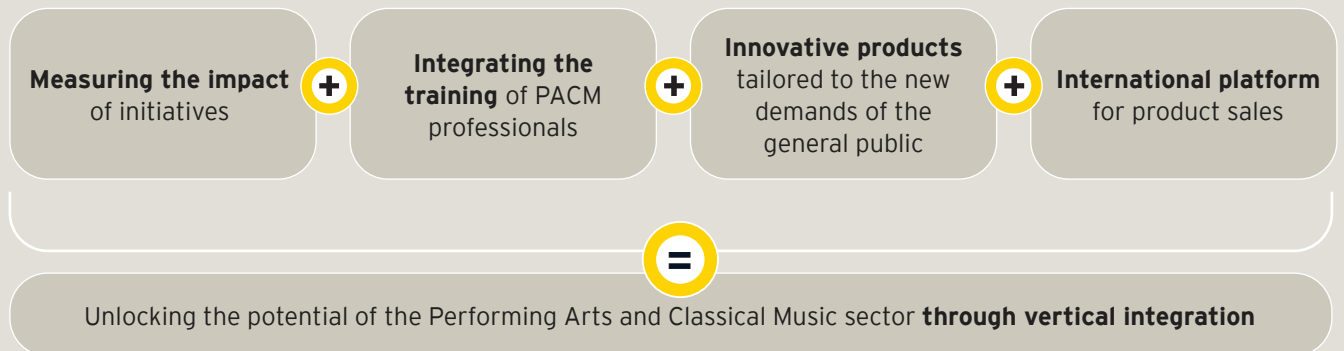
The sector is not characterised by big *players* or vertically integrated *players*, i.e., there is an investment opportunity by way of the integration of cultural cycle players³⁹, which also paves the way for economies of scale.

One clear example of how the sector has embraced integration is represented by the meeting held between the education unit of Performing Arts and Classical Music professionals and a creative team to develop new formats and cultural

productions (based on formulas such as concerts of film soundtracks or theatre cycles in unique locations) with a view to reaching new audiences which, when combined with an international platform of theatres and concert cycles, increases the project's chances of success. All of which integrates impact measurements for the purpose of *reporting* the project's total return⁴⁰. ***These kinds of initiatives present a very attractive business opportunity for private investors.***

³⁹ For more information about the cultural cycle, see section 3 of this report.

⁴⁰ Total return consists of a financial return, a social return and an environmental return. Impact investors expect a total return.



As the sector is **highly competitive**, private investors can take advantage and implement build-up processes.

8

As the amount that developed countries spend on leisure is more than proportional to increases in GDP, the future target market of the Performing Arts and Classical Music sector is larger in these countries, such as Spain and the rest of Europe.

9

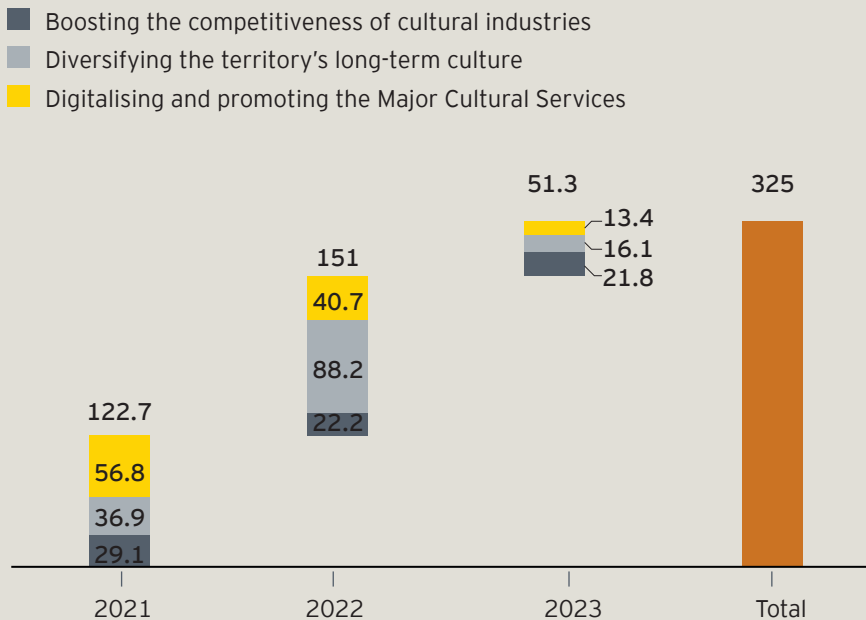
There are various facets to demand. The oldest age groups of the population displace the consumption of certain leisure products, such as gymnasium or travel expenses, which presents an additional opportunity for Performing Arts and Classical Music. The oldest age groups of the population appreciate classical music concerts and theatrical shows.

The youngest age groups of the population tend to spend a larger proportion of their disposable income on leisure, in comparison with other groups of society.

10

Various external factors, such as the investment of €325,000,000 that the State will allocate to culture via the Recovery, Transformation and Resilience Plan⁴¹, **are expected to re-energise the sector and stimulate short-term investment opportunities**. It should be noted that this investment is made in line with a series of objectives including the aim to increase the levels of professionalism to which culture officials should aspire, and to digitalise the cultural sector.

⁴¹ Corresponds to item 24, published on 16 June 2021, as part of the Recovery, Transformation and Resilience Plan, under which €325,000,000 is expected to be set aside for the cultural sector under the objective of "Revaluation of the cultural industry".



Source: Recovery, Transformation and Resilience Plan (Government of Spain).

To this extent, we can find another factor that can boost investment in the sector, in Law 27/2014, of corporation tax ("IS"), of 27 November. Specifically, Article 36.3 of the Law provides for a **deduction from net tax liability of the tax on expenses incurred in the production and staging of live events**. Furthermore, since 1 January 2021, under this Law, financial supporters of the production or staging of events have been eligible for this deduction, even if production and staging are carried out by another taxpayer.

As such, Public Administration is giving the whole sector a shot in the arm not only by offering assistance to producers, but also by extending its support to taxpayers who finance these kinds of activities. This new legislation may serve to attract further investment in the sector as financial supporters reap the benefit of a considerable reduction in respect of the financing amounts disbursed (the excess of the deduction may be applied by the producer).








The ten factors indicated above underpin the renaissance that the Performing Arts and Classical Music sector is currently experiencing and have much in common with those that instigated the changes to the education and healthcare sectors, where impact investing has successfully taken hold. According to **Ricardo Miró-Quesada**, Head of Private Equity at Arcano, “we integrate education into the impact fund. It is producing impressive results, investors are showing a great deal of interest and we are networking with good companies in the US and Europe”.

Indeed, Fundación Carasso teamed up with Ship2B to launch their “start-up fund” in 2022 to invest in citizens’ art projects which seek to generate a social impact.

Grid comparing the Performing Arts and Classical Music sector and other sectors which have successfully embraced impact investing, such as healthcare or education. Clear examples for the Performing Arts and Classical Music sector to follow⁴².

⁴² Corresponds to item 24, published on 16 June 2021, as part of the Recovery, Transformation and Resilience Plan, under which €325,000,000 is expected to be set aside for the cultural sector under the objective of “Revaluation of the cultural industry”.

	Education	Healthcare	PACM
 Demand	<p>The market of lower-medium category education is price sensitive. On the other hand, there is no price elasticity of demand in the upper category, i.e., the market is willing to pay a high price for education in the best centres (Ivy League, MBAs).</p>	<p>There is no price elasticity of demand in respect of the service of a distinguished specialist.</p>	<p>Similarly, for high culture (opera, ballet, etc.) and classical music concerts of distinguished orchestras (Vienna), demand continues to be inelastic with respect to price, which is high.</p>
 Supply	<p>Specialisation: There are more and more centres and universities that focus on different disciplines (languages, creativity, etc.)</p>	<p>Growth in private supply with more experts specialising in specific fields.</p>	<p>Growing improvement in quality of supply and trend towards events that are adapted, to a greater extent, to public preferences (soundtrack concerts, etc.). Artists are also better prepared (multimedia, digital, etc.)</p>
 Operating Finance Requirements	<p>In some cases, private education is funded by suppliers as customers pay for the service at the point of use.</p>	<p>Comparable to education, the healthcare sector can be funded by customers who usually pay for treatment at the point of receipt.</p>	<p>It is possible to improve cash flow management in this sector. The sector is marked by differences between large groups and smaller entities.</p>
 Employees	<p>Teachers require a training period in excess of 20, or even 30 years at universities. The vocational nature of the career means that low salaries are compensated by way of high emotional rewards.</p>	<p>There is also an extensive training period before a qualified medical team can be assembled.</p> <p>Similarly, emotional rewards can offset dissatisfaction with economic remuneration.</p> <p>Excluding the American market</p>	<p>The training period of musicians lasts for 20 years.</p> <p>Moreover, their vocational reward can offset the mediocre pay received in certain cases.</p>
 Synergies	<p>Cost synergies arise; increased bargaining power with service providers; opportunities for teaching staff (e.g., exchanges); improved educational provision through student exchanges.</p>	<p>Cost synergies arise; increased bargaining power with service providers; opportunities for staff; improved provision for patients who find it easier to make an appointment with experts at different centres.</p>	<p>Cost synergies arise; increased bargaining power with service providers; opportunities for students and professionals through international exchanges.</p>

The role of impact patrons and sponsors

As part of the new impact economy model, businesses invest and allocate resources not merely to obtain a financial return, but also to create a social and environmental impact. As we transition towards **stakeholder capitalism**, it is important to bear in mind that businesses, banks, or financial supporters in general are targeting impact investments in the cultural sector, and specifically the Performing Arts and Classical Music sector. However, at the same time, it should be noted that businesses may also allocate resources with a view to generating a social value by offering impact sponsorships to the cultural sector.

While, to date, the resources allocated to promote a corporate brand, positioning or sales primarily set out to obtain a financial return, organisations now also tend to work the concept of social impact into their communication strategies in general, and their sponsorship and patronage strategies in particular.

According to **Federico Linares**, President of EY “In the system of stakeholder capitalism, where socially responsible companies seek to make a social impact, culture can be the bridge which connects us to excellence, talent and progress. Cultural initiatives are also an effective channel through which to build cohesive societies and support vulnerable groups. Outside elite circles, culture stirs emotions and attitudes that improve confidence, education and entrepreneurial skills. This is the context in which companies can make a big difference and draw on their vast potential to effect change in areas where it is most needed”.

Fuescisla Clemares, Google’s CEO for Spain and Portugal, underlines this point: “even if a company’s primary objective is to ensure its own economic growth, it does not mean that this completely legitimate aspiration cannot also promote or fulfil other equally important objectives. That is why, in recent years, the role that business is expected to play, has changed, chiefly because society demands from us to engage more and more with our environment”. Google’s senior figure in our country also points out that business “unquestionably has a social role to play and is responsible for promoting culture across every area of society, and not just within the business community”.

This point is also made by **Rafael Fernández de Alarcón**, Brand, Sponsorships and Media Director at Telefónica, who states that “cultural heritage not only produces social and economic benefits, but also increases opportunities to learn about, value, and promote our own identity as people and individuals within the society to which we belong”, which is why “supporting culture is tantamount to supporting, strengthening, and developing our own identity”.

In relation to the relevance of the corporate purpose and the role of culture, **Juan José Cano**, President of KPMG, indicates that “support for shared objectives, such as the promotion of culture, education, or inclusion, should be factored into the corporate purpose of businesses, and into a strategic plan implemented with a view to enhancing the value we can add to the economy and society”.

The paradigm shift stems from the integration of social value into the strategic plan of companies, which is also in line with the positioning strategies and policies of organisations. Consequently, companies that are genuine in their aspiration to generate social value are shifting from a model of sponsorship and patronage based fundamentally on a desire to strengthen their commercial or corporate brand, to one which also emphasises the contribution they can make to the communities in which they are active, without compromising their image or identity.

According to **Carlos Casas**, Global Head of Talent & Culture at BBVA, “by supporting cultural projects, organisations not only enhance their reputation, but also create a huge short, medium, and long-term impact in society. It amounts to a commitment to improve people's lives, education, and well-being in society”.

Against this backdrop, the Performing Arts and Classical Music sector opens up a vast array of possibilities for patrons and sponsors: having their name up in lights at theatrical events; the direct funding of certain works, tours, or initiatives; supporting the training of talented professionals and artists; working alongside cultural institutions in various fields, etc.

It should also be noted that, through the lens of the impact economy, any companies that embrace this patronage or sponsorship model or undertake initiatives with a view to making a social impact on the Performing Arts and Classical Music sector, have the opportunity to measure their impact. Measurements are essential in so far as they determine the extent of the value being created, indicate how the strategy and targets of the organisation should be adjusted moving forward and, in particular, provide a basis of comparison between the various projects and initiatives for the purpose of assessing their actual impact.

In this respect, the importance of *reporting* metrics and standards in the context of non-financial information cannot be overstated. Significant progress has been made in this field in recent months as a result of the growing interest in all matters related to ESG. In relation to measurements, **Sonia Mulero**, Director of Fundació Banco Sabadell, asserts that “it is becoming vital to promote culture and measure the return of this investment in terms of its direct and indirect impact, not only because of the change it effects in institutions, but also because of the change that the investment in culture generates”.

This point is reiterated by **Vanda Martins**, Director of Fundació EDP, who states that culture must be supported “by way of an impact-driven approach, using measurement tools to demonstrate the concrete and tangible benefits that these investments have on society”.

In view of the new paradigm in the form of the impact economy, the desire of companies to fulfil their corporate purpose by creating social value, and the flourishing cooperative links between companies and entities of the Performing Arts and Classical Music sector, the concepts of “patronage and sponsorship” should be revisited. While, to date, many performing arts partnerships involved a business making a financial contribution in exchange for greater visibility through brand image or *hospitality* packages for employees and customers, we are now heading towards a more advanced model.

The new approach based on “patronage and sponsorship with a purpose” considers return both from the perspective of positioning and reputation, on the one hand, and from the fundamental perspective of social value generated and actual social impact, on the other. Whereas attention previously focused on financial return, sales or other KPI related to the organisation’s own growth, attempts are now also made to measure and promote value for the benefit of society.

Moreover, as any companies that embrace this new model also factor in the variable of “commitment”, which is closely related to the corporate purpose, they engage more actively with the corresponding initiatives. In this sense, the relationship between patron and beneficiary or sponsor and client is evolving into a genuine partnership which sets out to fulfil a shared social purpose, and supplants the supplier-customer model that has often governed relations between these parties in the past.

In light of these variables, any companies that become impact patrons or sponsors of Performing Arts and Classical Music can adopt a range of approaches and make an invaluable social contribution in various fields including:

- **Social integration** - The Performing Arts and Classical Music sector is perfectly placed to “accelerate the spread of culture” to groups who have traditionally been excluded from so-called “high culture” events. Attending the opera, classical music concerts or theatrical productions is a particularly stimulating experience for many groups who have traditionally been absent from these events, and fosters social cohesion.

In relation to this point, **David Hayon**, of Edmond de Rothschild, notes that his organisation develops and supports “cultural projects that set out to address the specific and real challenges facing our society, such as the integration of young people into the labour market” and adds that “through their work, artists accurately reflect society while solidifying its foundations and fostering social cohesion”.

- **Education** - Impact initiatives in Performing Arts and Classical Music have vast potential to foster creativity and education underpinned by values of effort, resolve, and excellence. Sponsors and society as a whole are directly impacted by collaborative initiatives with specialist institutes or universities and by scholarship programmes for talented young individuals.

In this regard, **Donato González**, President of Soci  t   G  n  rale in Spain and Portugal, states that his organisation supports educational projects for young people, especially through music and sports, with a view to “facilitating the transition of these young people onto the labour market, while helping them to develop the knowledge and skills they will need to become fully-fledged members of society”.



- **Employability** - Related to education and training, the potential of sponsors to stimulate employment by way of the impact they make through Performing Arts and Classical Music should not be overlooked. On the one hand, the support of businesses brings stability to projects and productions and, in turn, increases the job security of a sector historically renowned for its insecurity. On the other hand, support is in place for a key sector with considerable potential to generate value, covering not only artists, but also a large number of technicians, specialists, and managers.

As such, businesses can draw on their experience, resources and area of expertise to make a significant contribution, as indicated by **Luz Usamentiaga**, Director of Regulation, IR, External Communication, CSR and Foundation at Orange, who remarks that as part of the projects in which her company takes part “we have always tried to focus on what we do best, which is to bring people together, network with the business community, and deliver technological solutions to make life better and easier. We adopt the same approach to culture whereby we not only undertake an act of patronage which is, in itself, very rewarding, but also work in partnership on aspects in which culture and technology can find elements of mutual support and enrichment.”

- **Cultural heritage** - There is no doubt that Performing Arts and Classical Music are part of our cultural heritage and of every single territory and community of society. The direct impact generated by the potential of music, theatre, and the performing arts manifests itself in the form of improvements to heritage (locations, buildings, art or property), the redevelopment of urban areas with a key historical-artistic value, or the promotion of an essential sector like tourism.

Although there is not always a way to accurately measure the relationship between the visual arts and their impact on culture in general, it undoubtedly exists and has become more evident in recent years. According to **Fernando Ruiz**, President of Deloitte: “culture helps us to uphold our values and makes us better and happier people. Nowadays, people are more conscious of social responsibility and while it is not clear how culture fits into this concept, it will continue to play an increasingly prominent role. Businesses are also trending away from social and towards cultural initiatives”.

- **Internal cohesion of organisations** - The initiatives of impact patronage and sponsorship not only have a direct impact on social issues, but also a cohesive effect within organisations. The involvement of a company's professionals in this type of initiative not only produces a multiplier effect that exceeds the limits of the company, but also serves to strengthen internal ties, increase the sense of belonging and reaffirm the commitment to the corporate purpose.

As stated by **Fernando Encinar**, Executive Director of Idealista: "The team values and appreciates that our commitments to cultural projects benefit them too because they actively participate in each project in which we are involved".

- **Cooperation** - The success of impact patronage and sponsorship projects depends on cooperation, and not just the merely allocation of resources. Alliances between the business community and cultural institutions are a key variable in the coordination of initiatives which require the active participation of all stakeholders, business professionals, and managers. In this regard, the importance of public-private cooperation cannot be overstated as it helps to promote a new model of patronage and sponsorship that must also be advocated by public administration.

Pilar Suárez-Inclán, Institutional Communications and CSR Director of Reale Seguros echoes this point by asserting that she is "a strong advocate of both public-private and inter-institutional alliances based on the premise that each stakeholder brings their expertise to the table". **Alfonso Serrano-Suñer**, President of Management Solutions, believes that "the best way to support this kind of project would be to foster public-private cooperation and to offer tax relief on acts of sponsorship and patronage".



6 How can cultural institutions unlock their potential?

As society ushers in a new paradigm in the form of the impact economy, Performing Arts and Classical Music are presented with a unique opportunity to increase their strategic influence, develop more sustainable models, and secure a greater share of finance. However, to seize this opportunity, a strategic action plan is needed to ensure that all sector stakeholders are pulling in the same direction.

Based on analysis and interviews, several growth drivers have been identified for the sector. For any cultural institutions that wish to take advantage of private-sector investment in order to (i) further unlock the creative potential of Performing Arts and Classical Music in a way that benefits the whole economy; (ii) increase the total return of institutions; and (iii) boost employment in the sector, they are urged to follow the recommendations below:

1

Change of attitude towards the private sector. Some cultural institutions are leading the way by promoting this change of mentality through positive initiatives. Cultural institutions can determine whether their vision is compatible with the private sector model, with a view to reaping the benefits of a potential partnership. **Raquel Rivera**, Managing Director of Orquesta y Coro de la Comunidad de Madrid, remarks “some units may be very profitable and appeal to the private sector; the most important thing is for these units to subsequently help to finance other units that cannot and should not be profitable. It’s a win-win situation”.

2

Cultural institutions can aspire to secure funding from a more diverse range of sources. They need to determine whether it can boost their financial sustainability and reduce their exposure to the risks associated with crisis situations. In the light of the COVID-19 crisis and its devastating effects, both the strengths and structural weaknesses of the State have been thrown into sharp relief.

More than 70% of cultural institutions believe that public funding from central or local government is the primary source of finance for their activities⁴³. In these circumstances, institutions have to determine whether their reliance on public funding casts a shadow over their structural ability to overcome periods of crisis, and impedes their growth.

While the previous point stands, **cultural institutions can take advantage of the outstanding opportunity that has arisen for the public sector in view of the Recovery, Transformation and Resilience Plan** under which € 350 million will be set aside for the cultural sector in three years under the objective of “Revaluation of the cultural industry”.

⁴³ Report on performing arts in Spain: programming, distribution and audiences (Academia de las Artes Escénicas de España, 2020).

3

Professional training is a key consideration. It is essential to develop training in areas of expertise such as finance or digitalisation. According to **Adriana Moscoso del Prado**, Executive Director of Creative Industries and Cooperation of the Ministry of Culture and Sport, "In a bid to boost employment in the cultural sector, one of the major challenges that needs to be addressed is the lack of expert business training, without which it is very difficult to increase productivity and competitiveness given the high level of self-employment across the sector."

Cultural managers can choose either to continue to develop their own training and expertise or to recruit specialists. Demand is greatest in the following fields:

- a. **Management and finance**, with the remit of ensuring that the cultural institution is in a position to cover all its productions and needs.
- b. **Fundraising consultant**, who maintains relations with public and private sources of finance, and sets out to increase the institution's funding.
- c. **Digitalisation**, with the remit of innovating the way in which the product is developed and promoted to the target audience.

Digitalisation training is vitally important. **Inmaculada Ballesteros**, Director of Observatorio de Cultura y Comunicación at Fundación Alternativas, echoes this point by asserting that, "We must integrate data technology into our processes in order to adapt the cultural offering to the specific tastes of the audience".

Alternative solutions to this issue include outsourcing the service or hiring expert consultants. As indicated by **Llorenç Caballero Pàmies**, Executive Director of Ibermúsica, "It's not our area of expertise. Professional consultants should be assigned to liaise with sponsors because they can enhance relations with the public and private sector."

In this respect, cultural institutions can also take advantage of the Recovery, Transformation, and Resilience Plan, which includes a "programme of grants for employees of the cultural sector who wish to take part in a training course to improve their business and finance skills". **These grants are made available for business training, which is key to fully unlocking the potential of the sector.** In the words of **Adriana Moscoso del Prado**, "It is vitally important to introduce a training programme that delivers for the cultural sector and improves the business and digital skills of employees across the sector".

4

Innovating product development to integrate experience.

Although not all cultural institutions are always able to meet the demand, there are some with the capacity to do so.

One example is Fever, a company that works alongside content creators to bring their creations to life, by integrating “experience into the product”. **Ignacio Bachiller and Alexandre Pérez**, Co-Founders and Co-CEOs of the company, remark that “We have made it possible for 2.5 million people to attend classical music concerts under the “Candlelight” format. We are probably the best organisers of classical music concerts in the world”.

5

Innovating product promotion and devising a fully-fledged social media strategy. It is essential for some cultural institutions to adopt new marketing practices, including digital techniques, in order to meet their promotional requirements. It is now within the grasp of cultural institutions to reach international markets via more direct channels.

The importance and scope of current marketing techniques are thrown into sharp relief by the fact that current audiences are able to travel great distances to experience live shows.

6

By introducing analytical accounting procedures, especially in the context of their projects, cultural institutions are well on the way to creating a culture of good management practice.

These procedures have a vital role to play in the current market. The replacement of “hard cash” will make the cultural institution’s activities more transparent and, consequently, open up the possibility of securing more public and private-sector funding.

7

Identifying key metrics to monitor the daily performance of the cultural institution. The metrics considered by the cultural institution as part of its analytical accounting procedures will identify the most profitable and impactful products, as well as the projects which stand a good chance of receiving extra public or private funding.

These metrics enable cultural institutions to measure with a greater degree of accuracy the extent to which they are fulfilling their stated mission and respecting their vision for society, and to determine the success of their cultural offering.

Take the following example: *a classical music concert is being staged at a concert hall in Madrid.* The following metrics can be used to monitor outcomes and impact:

- ▶ Number of people in attendance.
- ▶ Attendance as a percentage of the overall capacity of the hall.
- ▶ Percentage of vulnerable spectators (gender, age, ethnicity, religion).
- ▶ Increase in interest to learn music or another cultural genre (theatre, dance).
- ▶ Increase in musical knowledge.
- ▶ Increase in attendance at cultural events in the medium/long term.
- ▶ Increase in happiness of audience in attendance (measured by satisfaction surveys before and after the event).

Using the latest data analytics methods, some of these metrics can be analysed by prompting the audience in attendance to complete a simple survey on their smartphones, before and after the concert.

8

Cultural institutions that are willing to redefine their approach may devise a strategic plan that prioritises the growth of creative activity, sets out to achieve a total return,⁴⁴ and is attractive to prospective private and impact investors.

The strategic plan will be fundamental to the institution's analysis of its current performance based on corresponding growth drivers. The cultural institution can identify areas for improvement and specific initiatives.

⁴⁴ Total return consists of a financial return, a social return and an environmental return. Impact investors expect a total return.



The grid below enables cultural institutions to assess their current performance, and identifies the recommendations they will need to implement to improve their level of professionalism.

Road map for cultural institutions

Level of professionalism	Low to average	Average to good	Good to very good	Very good to excellent
Focus	Offers a quality artistic programme	Undertakes basic management practices	Focus on raising calibre of profiles and specialisation	Continuous improvement and innovation
Measures to take	Quality artistic programming <ul style="list-style-type: none"> Devise a quality artistic proposal Position artistic proposal to appeal to public/audience Sufficient source of finance <ul style="list-style-type: none"> Source of public/private finance is enough to meet needs Focus on artistic profiles <ul style="list-style-type: none"> Organisation comprising artistic/academic profiles Outsource main non-artistic tasks (finance, legal, fund-raising, etc.) 	Data and accountability <ul style="list-style-type: none"> Transparency in data and disclosure of financial statements Audit accounts Internal systems and management <ul style="list-style-type: none"> Develop analytical accounting practices Integrate analysis of return, attendance figures, and audience into decision making Organisational restructure with programme optimisation Sources of finance <ul style="list-style-type: none"> Start to diversify sources of finance by adding new sources Methodology and dedication of fund-raising Offer geared towards public/audience <ul style="list-style-type: none"> Integrate external demand and pricing into decision making Use marketing and communication in a strategic and segmented way 	Separation of management and artistic profiles <ul style="list-style-type: none"> Hire qualified experts to non-artistic positions (fund-raising, marketing and communication, operations, finance) Strike a balance between artistic priorities and financing needs Invest in the management training of artistic profiles <ul style="list-style-type: none"> Training exclusively for artistic profiles with management training/experience Sources of finance <ul style="list-style-type: none"> Diversify sustainable sources of finance over time Assign profiles to financing needs Strategic planning <ul style="list-style-type: none"> Integrate strategic plan and medium-term financing needs into plans Set out a medium and long-term vision 	Maintain relations with the sector by sharing best practices <ul style="list-style-type: none"> Identify opportunities for cooperation Learn and introduce best practices from the cultural sector and other sectors Set the standards <ul style="list-style-type: none"> Build partnerships with other institutions Embrace current trends: sustainability and contribution to SDG, sector-based equality plan Proceed on the basis of culture impact measurements <ul style="list-style-type: none"> Allow results to shape future decisions Use results to secure funding Optimise sources of finance <ul style="list-style-type: none"> Take advantage of philanthropic opportunities, the public sector, and the capital market

While it is true that impact investing in Performing Arts and Classical Music still plays a secondary role, the sector has recorded a number of recent business cases at international level, which are paving the way for private and impact investments in the sector.

Externality analysis: an inducement for sustainable investors

Beneficiary	Birmingham Royal Ballet	Techstars	Accademia di Belle Arti Rosario Gagliardi Syracuse	21 non-profit organisations from the PACM sector	Philharmonie Des Enfants
Country	UK	US	Italy	US	France
Investor	<ul style="list-style-type: none"> Bank of America Nesta Esmée Fairbairn Foundation Calouste Gulbenkian Foundation Arts Council England 	Concord	Oltre Venture	Propel Nonprofits	<ul style="list-style-type: none"> Invest France active Banque des Territoires Maif Impact
Quantity	£ 215,000	\$ 30,000/company	n.a.	n.a.	€ 10 million
Date	2017	2021	2018	2016	2020
Summary	The management of the charitable organisation administers this investment in a bid to adapt the production to alternative locations with a view to extending its performance programme	Concord will commit to an additional initial investment of \$ 30,000 into every company accepted onto the Techstars Music Accelerator 2021 programme, in so far as they meet the criteria of Concord's Impact Initiative	The Syracuse Academy of Fine Arts, supported by Oltre Venture, currently attracts dozens of foreign students on account of the outstanding level of training they receive in Sicily.	Beneficiaries include Penumbra Theatre Company, FilmNorth, TU Dance, etc. The investment involves a "Forgivable Loan" with a repayment period of three years.	This investment has brought the Philharmonie Des Enfants project to life: it creates a space where children between the ages of 4 and 10 can interact in different ways through the medium of music.

In Spain, several culture-related patronage, sponsorship and investment initiatives, some with the involvement of specialised impact funds, have been identified. They include Fever, La Fura dels Baus, Whatscine⁴⁵, etc.

Elsewhere in Europe, there are several impact investing initiatives involving the cultural sector. They include Museo de la Ilusión, Artnova and *La Philharmonie des Enfants*⁴⁶.

⁴⁵ To find out more, go to: <https://feverup.com>; <https://lafura.com/>; <https://www.whatscine.es/>.

⁴⁶ To find out more, go to: <https://www.museumofillusions.com/>; <https://artnova.fr/en/>; <https://philharmoniedeparis.fr/en/philharmoniedesenfants>.

7 Glossary of terms

PACM:

Performing Arts and Classical Music

2030 Agenda for Sustainable Development:

In 2015, the UN General Assembly adopted the 2030 Agenda for Sustainable Development. The agenda is a blueprint to promote prosperity while protecting the planet. It consists of 17 interlinked economic, social and environmental objectives known as the Sustainable Development Goals, as defined in this glossary. It was adopted by all UN Member States.

Impact Economy:

Economic system that seeks to make an economic, social and environmental impact for the good of society as a whole.

European Venture Philanthropy Association (EVPA):

Established in 2004, EPVA is a membership association made up of organisations that use philanthropy to generate a positive social impact across

Europe. Member organisations specifically engage in venture philanthropy (i.e., an investment approach with a social aim, providing financial and non-financial support) and social investment practices.

Global Impact Investing Network (GIIN):

GIIN is the leading global impact investment network. It is committed to increasing the volume and effectiveness of impact investments throughout the world.

Environmental, Social & Governance (ESG)

Investments: A sustainable and responsible investment is a long-term investment discipline that reviews, analyses and selects investment portfolio securities on the basis of Environmental, Social, and Governance factors. Source: Spainsif.

Impact Investing:

This concept covers investments made into companies, organizations, and funds with the intention to generate a measurable, beneficial social and environmental impact alongside a financial return. They can be made both in emerging and developed markets, and target a range of returns from below market to market rate, depending on circumstances. Source: GIIN, in the Spainsif report.

Responsible investment:

Responsible investments involve an investment strategy based on decision-making and management criteria, as well as environmental, social and governance factors. Source: UNEP Finance Initiative.

Thematic investing (thematic investment funds): Thematic investing is an approach which focuses on the predicted long-term trends of structural shifts rather than specific companies or sectors.

Sustainable Development Goals (SDG):

The Sustainable Development Goals were adopted in 2015 by the United Nations Member States to end poverty, protect the planet and ensure that all people enjoy peace and prosperity by 2030. While the 17 SDG cover different social, economic, and environmental aspects, they are interlinked to such an extent that action in one area will affect outcomes in others. Source: United Nations Development Programme.

Recovery, Transformation, and Resilience Plan: Action plan to promote the recovery of Spain, approved by the Government of Spain. Published on 16 June 2021, item 24 of the plan is particularly relevant in so far as € 350 million is expected to be set aside for the cultural sector under the objective entitled "Revaluation of the cultural sector".

Programme Related

Investments (PRIs): Regulated investments in the US whose primary objective is not to generate a financial return, but to accomplish one or more of a foundation's initial aims. Source: Internal Revenue Service, US.

Corporate Social

Responsibility (CSR): Form of business regulation seeking to manage the impact of business activities on customers, employees, shareholders, local communities, the environment, and the wider society. Source: Observatorio de Responsabilidad Social Corporativa.

Sustainability (financial, environmental, etc.):

Sustainability involves managing resources in such a way so as to satisfy current needs, without compromising future needs. The concept of sustainability may include social and economic development, on the one hand, and environmental protection, on the other.

Theory of Change: The Theory of Change is a model that explains how all activities and conditions affect a series of outcomes. We can use this model to represent what changes must be made and to visualise what these changes will look like in our environment. It can be applied to any kind of activity, project, strategy, or policy. Source: UNICEF and *National Endowment for the Arts*.

€ billions: billions of euros.

8 Interviews and exchanges



List of interviewed experts, executives and investors

Name	Entity	Position
Cultural institutions and related bodies		
Inma Ballesteros	Observatorio de Cultura y Observación - Fundación Alternativas	Director
Llorenç Caballero	Ibermúsica	Director
Pilar Cárdenas	Advisory Board for the Arts	Senior Director
Jesús Cimarro	Academia de las Artes Escénicas de España	President
Maite Esteve	Fundación Cataluña Cultura	Director
Ignacio García-Belenguer	Teatro Real	Director
Katarina Gurska	Centro Superior de Enseñanza Musical KATARINA GURSKA	Founder and Director of Musical Instruction
Karen Freeman	Advisory Board for the Arts	Executive Director
Claudia Morgana	Asociación de Danza: Dance From Spain	Coordinator
Raquel Rivera	Fundación Orquesta y Coro Comunidad de Madrid	Managing Director
Elena Roncal	Fundación Orquesta y Coro Comunidad de Madrid	Head of Legal-Finance
Investors and other contributors		
Teresa Azcona	Creas Capital / ARTE Inversión	Member of the Board of Directors
Luis Berruete	Creas Capital	Co-Founder and Managing Partner
Patricia Gabeiras	Gabeiras & Asociados	Founding Partner
Nicolás Jiménez-Ugarte	Artá Capital	Managing Partner
Isabelle Le Galo Flores	Fundación Carasso (Arte Ciudadano)	Director for Spain
Lorenzo Martínez de Albornoz	GPF Capital	Founding Partner and Director
Ricardo Miró-Quesada	Arcano Impact Fund	Head of Private Equity
Juan Luis Ramírez	Portobello	Founding Partner
Elena Rico	Impact Partners	Founding Partner and Director
Javier Santiso	Venture Capital Mundi Ventures	Founding Partner
Fernando Trueba	Corpfin Capital	Managing Partner
Juliette Averseng	KOIS Invest	Principal
Juan Antonio García Peredo	Elipsis Capital	Managing Partner
Carlos Pérez de Jáuregui	Nazca Capital	Partner

Sector público		
Fernando Bigeriego	Cultural Industries (Ministry of Culture and Sport)	Advisory Member
Adriana Moscoso del Prado Hernández	Cultural Industries (Ministry of Culture and Sports)	Executive Director Industrias Culturales
Académicos		
Rafael Puyol	Universidad Complutense de Madrid / Instituto de Empresa (IE) / UNIR	Dean of Universidad Complutense de Madrid-Executive Vice-President of the Fundación IE Presidente

List of executives whose organization is part of the Reina Sofía School of Music's Board of Trustees and who have provided information or statements

Name	Entity	Position
Carlos Casas	BBVA	Global Head of Talent and Culture
Juan José Cano	KPMG	President
Fuencisla Clemares	Google	Executive Director
Fernando Encinar	Idealista	Executive Director
Rafael Fernández de Alarcón	Telefónica	Director of Brand, Sponsorship and Media
Donato González	Grupo Société Générale	President for Spain
David Hayon	Edmond de Rothschild	Head of Latam Business Development
Federico Linares	EY	President
Sonia Mulero	Fundación Banco Sabadell	Director
Fernando Ruiz	Deloitte	President
Alfonso Serrano-Suñer	Management Solutions	President
Pilar Suárez-Inclán	Reale Seguros	Director of Corporate Communication and CSR
Luz Usamentiaga	Orange	Director of Regulation, Institutional Relations, External Communication, SCR and Fundación

