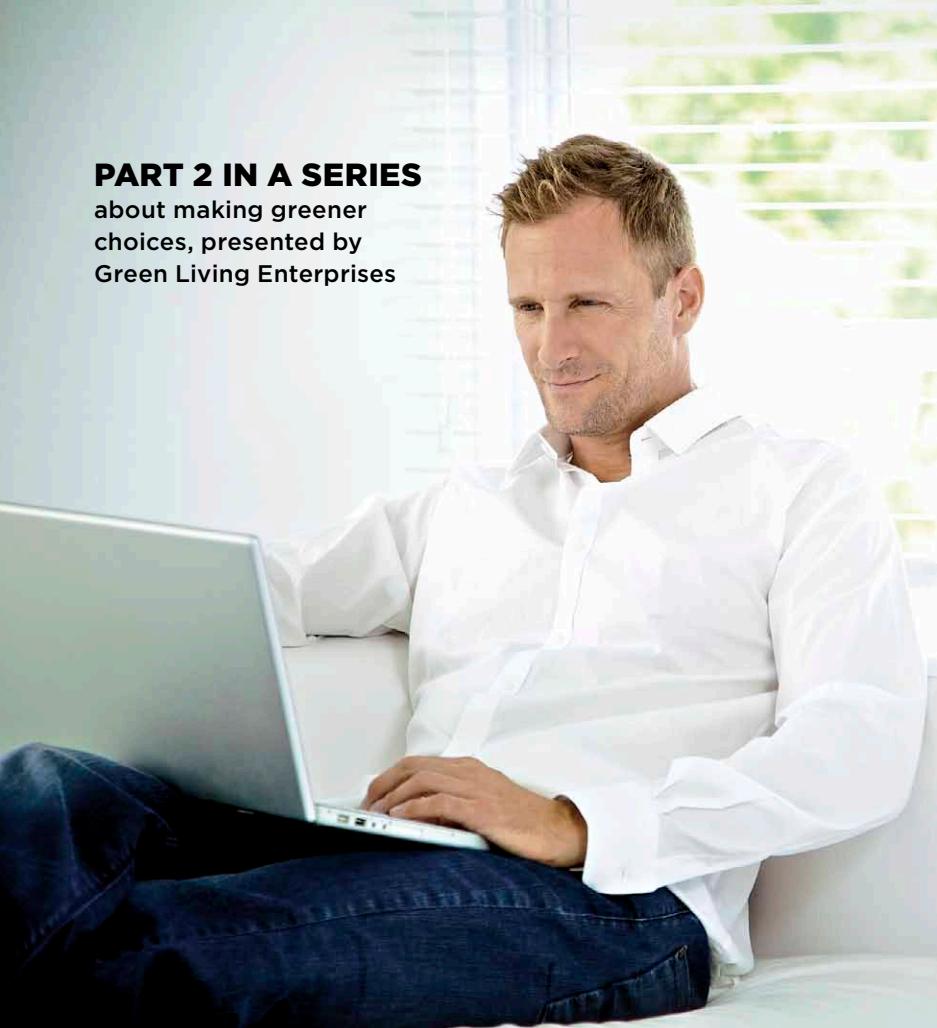


# Socially Responsible Investing

Let financial value and *your* values share centre stage when choosing your bank or investments



**PART 2 IN A SERIES**  
about making greener  
choices, presented by  
Green Living Enterprises

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## greenliving.

Green Living has been helping both consumers and businesses navigate environmental and social responsibility for over 10 years. Producer of the Green Living Show and [greenlivingonline.com](http://greenlivingonline.com), Green Living also provides marketing and communications services to responsible businesses.

# Green stock picks

5 experts weigh in on how—and what—to choose



If you've ever opened an account with a brokerage you know that investing in stocks is a challenge. If it weren't, there wouldn't be such a huge industry in investment advice or in mutual funds.

Buying stocks in early 2011 is also complicated by the fact that the S&P/TSX Composite is up more than 65% since early 2009. Bullish market watchers see room for continued growth, but the market can't remain on its current trajectory forever.

Still, there are good reasons to consider stocks—especially if you're an educated investor looking to build an environmentally and socially responsible portfolio. You'll still need to be pretty good at picking stocks but—the big key—you'll have free rein to tailor your holdings to your values and responsibility standards.

How much does this matter? A lot, says Alan Harman, a director at ScotiaMcLeod and a veteran investment adviser in the socially responsible field. Say you're an investor who has decided you'd like to target your investments towards alternative energy. If you buy a generic Canadian Socially Responsible fund, you'll have to be prepared to own shares in Suncor, a big player in the oilsands. "Suncor will be in pretty much every portfolio because they always rank very high on the SRI indices," says Harman. "But if you've got strong negative opinion on the oilsands, you're not going to want to buy Suncor. The nice thing about buying individual stocks is that you can decide that."

## Where to begin?

Harman, who does advisory work for small not-for-profits and church organizations, says he approves of several large technology companies. "One of my favourite examples of the last couple of years is Google," says Harman. "It's a stock that doesn't always make it into a lot of standard portfolios because it's always considered risky, on a number different metrics it's considered expensive. Yet it's the perfect example of a company that has done all kinds of things right, and where, I think, their social responsibility, their good corporate citizenship has also added to the bottom line. I think that they've attracted talent because of

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## Green stock pics

their good corporate citizenship and retained talent for the same reason. We've always had a fair bit of Apple for similar reasons."

Harman also buys a lot of Canadian stocks. As an adviser, he balances his fiduciary responsibilities to his clients with his preferences for the most socially responsible companies. In our domestic market, that means he avoids gold companies and shops lightly from the resource sector. Companies in those sectors appear in many pre-packaged socially responsible portfolios, but their environmental practices make him uncomfortable. Instead, Harman sticks mainly to the big banks in finance, large telecoms and other larger firms that offer tangential exposure to the strong resource and commodities markets. "There are some companies that do a lot of really great things—I think Scotiabank, quite frankly, is one of them. And I think that [having that SRI credibility] helps, certainly in our international jurisdictions, it helps our attractiveness to potential clients and therefore our profitability."

### Individuals less constrained

Investors picking their own stocks aren't quite so constrained. A good place to start looking for socially responsible candidates is Maclean's Jantzi-Sustainability's ranking of Canada's most socially responsible companies. It weighs a wide range of environmental, social and governance factors to come up with the ranking. The big five banks—BMO, TD, RBC, Scotia and CIBC—are all on the list.

Suncor, as Harman noted, is also a standout on the ranking. But if an investor is interested in alternative energy and cleantech and would rather steer clear of the oilsands, the Jantzi ranking also includes Westport Innovations (TSX:WPT-T), a smaller yet well-established company with technologies that enable diesel engines to run on cleaner fuels like natural gas and biomethane. Harman acknowledges that Westport's products are good for the environment, but he says its small size makes it a challenge for the more conservative investor. Nevertheless, as of mid-April 2011, Westport shares were trading in the \$20-\$26 range, a significant increase from lows of between \$4 and \$6 in the aftermath of the 2008-2009 market crash. Where Westport's shares might be headed in the coming year is tougher to predict. Investment analysts who rate the stock are evenly divided—some have it listed as a "strong buy" while others have it pegged as a "sell."

Strong post-crash stock performance is a trait of most of the companies on the Jantzi list—yet for many, share price growth has leveled off. However, if we take

the analysis a step further and crosscheck the Jantzi list against a summary of analyst recommendations, the following firms show the strongest buy recommendations: Cascades, Gildan Activewear, TD Bank, Loblaw and Brookfield Properties.

### Sector shopping

As long as you maintain a diversified portfolio overall, it never hurts to invest in companies in hot sector; if the sector has staying power, even better. We asked Timothy Nash, a Toronto based sustainable investing consultant and president of Strategic Sustainable Investment, what sector looks good today. His answer: energy efficiency. "Buildings and electricity grids are getting smarter," says Nash. "As we identify and eliminate waste, the financial and environmental benefits are obvious." It is, he says, "truly the 'low hanging fruit' of the green transition."

He singles out three companies in this space: Schneider Electric SA (Euronext:SU); EnerNOC (NASDAQ:ENOC); and Johnson Controls (NYSE:JCI).

Schneider is a global leader in energy management systems, says Nash. They provide the hardware and software that buildings need to track and automate the use of energy, water and heat. Just by measuring real-time use and eliminating obvious waste, facilities can easily reduce energy consumption by 20% to 30%, which becomes even more attractive as energy prices rise.

EnerNOC specializes in 'demand response,' which levels out the peaks and valleys of energy demand over the course of a day. As Nash says, energy is now more expensive at certain times (when demand is high), so facilities can save lots of money by being smarter about when they use it. This technology also helps the environment, as utilities will often turn to dirtier sources of energy when demand peaks.

Johnson Controls, meanwhile, makes equipment and components, from HVAC systems to refrigeration, for green buildings. Nash also likes that the company's diversified: it also supplies batteries for hybrid and electric cars.

### What the experts like

Another place to look for potential stocks to buy is in the holdings of good, independently managed SRI funds. Elsewhere in this report, Nash singles out Greenchip Global Equity Fund, run by Greenchip Financial, sister company of Investeco Capital in Toronto. (Full disclosure: Investeco and Green Living Enterprises have a common owner). So we encouraged Greg Payne, Greenchip Fund's manager, to tell

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What sector looks good today? Energy efficiency, says sustainable investing consultant Timothy Nash

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us about some of his favourite companies in the fund. Payne cited these eight:

Pure Technologies (TSX-V:PUR) provides advanced technologies for the inspection, assessment, monitoring and management of critical infrastructure including bridges and water pipelinesuses, ultimately saving money and water. Its revenue has grown from less than \$10 million in 2006 to more than \$40 million in 2010. Much of its customer base is in the U.S. and Africa, serving both customers with aging infrastructure, as well as new developments in which Pure's technology can be incorporated from the outset. "They've carved out a unique niche," Payne says. "Technologically, they seem to be one step ahead."

New Flyer Industries (TSX:NFI.UN) is a leading manufacturer of alternative energy buses for urban transit fleets. A recent management change has improved its operating margins, notes Payne. He also believes the long-term future is bright given the inevitably greater emphasis we'll see in cities on public transit in a lower-carbon-consuming future.

Ram Power (TSX:RPG) is an emerging player in the supply of utility-scale geothermal power—extracting steam and hot water from deep in the earth to drive turbines and supply electricity. It has a major, 82-megawatt project coming online next year in Nicaragua. This and other developments, Payne says, make its shares "pretty attractive."

Newalta (TSX:NAL) is a Canadian provider of waste processing and recycling services to the materials industry. It is a leader in handling waste and process water from the oil industry, with the double benefit of cleaning up and recovering valuable oil.

Biox (TSX:BX) is a Oakville, Ont.-based producer of biodiesel that uses a flexible process that can switch input sources according to that which affords the best margins. It handles everything from yellow grease and beef tallow to more traditional inputs such as soy or palm oil.

Itron (Nasdaq:ITRI) is a global leader in utility metering, providing meters in the U.S. and internationally to monitor electricity, gas, and water consumption. Its "OpenWay" technology is at the forefront of smart meters, with recent large contract installations in California.

International Rectifier (NYSE:IRF) makes power management semiconductors that help electronic devices and machines manage and improve the efficiency of their power consumption.

RuggedCom (TSX:RCM) specializes in rugged communication technology (routers and switches) that can withstand the extreme climate and electri-

cal environment in electrical substations and enable utilities to remotely monitor the performance of their equipment.

The opportunities in these kinds of companies and sectors also get a strong endorsement from Nicholas Parker, chairman and co-founder of the Cleantech Group. Ideally, Parkers tells investors to look for areas of convergence, what he calls "nexustech." This refers to such things as products/companies with solutions that simultaneously meet energy-food-water challenges. "An illustration would be an energy-efficient water pump for agriculture," he says. Or, "a home automation system that provides security, entertainment and energy management."

Tom Rand, an engineer, investor who heads the Cleantech and Physical Science Venture Group at the MaRS Centre in Toronto and author of *Kick the Fossil Fuel Habit: 10 Clean Technologies to Save Our World*, also sees the emerging low-carbon economy holding the most opportunity. "That includes smart grid, renewable energy, energy efficiency and clean transportation," says Rand. "Any technology that can reduce fossil fuel use will become more and more valuable."

## Take a long view

Just as that's a long list of companies, issues and strategies to digest, Timothy Nash cautions investors in environmental and socially responsible sectors to keep the longer-term horizon in mind at all times. "Investors in green sectors should understand that it can be volatile," says Nash.

At the same time, he stresses that every investor should be looking at these sectors—not just environmentally conscious investors. "Every one should have at least some exposure," says Nash. "Or they risk losing out on the next big boom." ●

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The emerging low-carbon economy holds the most opportunity, says engineer, investor and author Tom Rand.

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## On the market

Our expert in socially responsible investing brings us up to speed

**Green Living:** What's the state of socially responsible investing in Canada today?

**Andrew Heintzman:** Europe is probably seven years ahead of us and that the U.S. is probably three years ahead.

**GL:** How is the market evolving?

**AH:** When we started Investeco in 2000, there was really only one kind of product in the market, a kind of screened fund, the generic socially responsible fund. These tended to be negatively screened entities (excluding sectors like armaments, tobacco or alcohol). So their holdings didn't look much different than other mutual funds — resource companies, banks, insurance companies and telcos.

**GL:** What came next?

**AH:** A more sectoral type of investing. So rather than just avoiding certain companies or certain sectors, you'd allocate capital toward areas of the economy that you felt the capital needed to go to. And that now has broken into a more complex series of subsectors and sets of funds. And with that you also get mission-based investing and impact investing where a fund may choose to invest very specifically in water companies or water funds. They're allocating capital to try to see a change in the economy.

**GL:** Is this now available to retail investors? Or is it still mostly for institutional, private?

**AH:** The options have not yet become fully available to the average retail investor in Canada, but it eventually will.

**GL:** So retail investors are still largely limited to SR mutual funds and exchange traded funds

(ETFs are funds that are listed on an exchange and trade like stocks)?

**AH:** That's probably still the core of their world. And for those with their own discount brokerage account or who are picking their own stocks, there's also the option to invest directly in stocks of companies in these sectors.

**GL:** What makes SR investing attractive?

**AH:** There are a lot of really interesting higher-growth, early-stage companies in cleantech and other sectors that probably don't fit into some of the larger portfolios. The rationale to invest in them is growth, future opportunity.

**GL:** Does investing in that space carry greater risks?

**AH:** It requires more research, probably, because there's less research being done by the market. And they tend to be a bit more volatile. It requires a bit more attention.

**GL:** What about fallout from the crash? Markets are back, but were there specific impacts on socially responsible investing?

**AH:** I'd say there are two. And they're diametrically opposed. Following a crash, there's a kind of general conservatism that prevails, people just play it safe, maybe even get out the market totally. But on the flip side, people realize that conventional wisdom in the market is often wrong. And so people may be looking for risk abatement, or they may be looking for new opportunities. I think that would send more people to sniff out these sectors. ●

Andrew Heintzman's latest book, *The New Entrepreneurs: Building a Green Economy for the Future*, can be purchased at [Chapters.Indigo.ca](http://Chapters.Indigo.ca).



Andrew Heintzman is President & CEO of Investeco Capital and chair of the Premier's Climate Change Advisory Panel for the Province of Ontario. He sits on the board of Green Living.

# What's out there

A round-up of select Canadian and U.S. socially responsible investment options

## CANADIAN SOCIALLY RESPONSIBLE INVESTMENT FUNDS\*

### CANADIAN DIVIDEND AND INCOME EQUITY

Ethical Canadian Dividend  
Ethical Canadian Dividend -F

### CANADIAN EQUITY

Desjardins Environment  
GWL Ethics (G) DSC  
GWL Ethics (G) NL  
IA Clarington Inhance Cd EqSRI CI-A  
IA Clarington Inhance Cd EqSRI CI-F  
London Life Ethics (GWLIM)  
Meritas Jantzi Social Index  
PH&N Community Values Cdn Equity  
RBC Jantzi Canadian Equity  
RBC Jantzi Canadian Equity-D

### CANADIAN EQUITY BALANCED

Acuity Social Values Balanced  
Ethical Balanced  
Ethical Balanced-F  
Ethical Select Cdn Growth PT  
IA Clarington Inhance Growth SRI-A  
IA Clarington Inhance Growth SRI-F  
IA Clarington Inhance Mt Inc SRI-A  
IA Clarington Inhance Mt Inc SRI-F  
Meritas Monthly Dividend and Income  
SocieTerra Growth Portfolio

### CANADIAN FIXED INCOME

Meritas Canadian Bond  
NEI Canadian Bond  
NEI Canadian Bond-F  
PH&N Community Values Bond-D

### CANADIAN FIXED INCOME BALANCED

Ethical Select Conservative Portfolio >

## Is a green fund right for you?

There's been an explosion in the number of socially responsible investment funds in Canada. Here's how to tell which ones are right for *you*.

Socially responsible investment funds emerged in the 1980s, took hold in the late 1990s, and surpassed the 200 mark worldwide in 2003. Today, in Canada, according to data compiled by the Social Investment Organization, a Canadian non-profit whose member firms represent a big chunk of the SRI fund market, there are more than 90 different mutual and retail venture funds on offer to everyday Canadian investors. The first rule of thumb for this market: "Do your homework," says Timothy Nash, president of Strategic Sustainable Investments. "Not all green or SRI funds are equal."

Investors looking for something more focused may want to opt for products like environmental sector funds, such as Scotiabank's Climate Change Fund, Greenchip Global Equity Fund and Acuity's Clean

Environment Fund. The best thing about true environmental sector funds, says Strategic Sustainable Investments' Nash, is that not only do they "offer diversification from environmental risks such as CO<sub>2</sub> emissions, water scarcity, and toxicity risks," but that they "invest in true corporate leaders in the transition to a sustainable future, rather than investing in 'best of the worst' companies who are simply doing less damage."



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## What's out there

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### CANADIAN FIXED INCOME BALANCED / CONT'D

Ethical Select Conservative Portfolio-F  
IA Clarington Inhance Con SRI Pt-A  
SocieTerra Secure Market Portfolio

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### CANADIAN FOCUSED EQUITY

Acuity Alpha Social Values Portfolio  
Acuity Social Values Canadian Equity  
Ethical Growth  
Ethical Growth-F  
Investors Summa SRI ClassTM A  
Investors Summa SRI FundTM A

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### CANADIAN FOCUSED SMALL/MID CAP EQUITY

Acuity Clean Environment Equity  
Matrix Sierra Equity

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### CANADIAN MONEY MARKET

Meritas Money Market

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### CANADIAN NEUTRAL BALANCED

Ethical Select Cdn Balanced PT  
IA Clarington Inhance Bal SRI Pt-T6  
Meritas Balanced  
PH&N Community Values Balanced-D  
SocieTerra Balanced Portfolio

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### CANADIAN SMALL OR MID CAP EQUITY

Ethical Special Equity  
Ethical Special Equity-F

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### GLOBAL EQUITY

Acuity Social Values Global Equity  
BMO Sustainable Opportunities Class  
Criterion Water Infrastructure-A  
Ethical Global Dividend-A  
Ethical Global Dividend-F  
Ethical Global Equity  
Ethical Global Equity-F  
Greenchip Global Equity Fund  
HSBC Global Climate Change-A  
HSBC Global Climate Change-I  
IA Clarington Inh Gl Eq SRI Cl-A  
IA Clarington Inh Gl Eq SRI Cl-F  
Investors Summa Global SRI-A  
Investors Summa Global SRI Class A

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Mackenzie Univ Sustainable Opp CI  
Meritas International Equity  
PH&N Community Values Glb Equ-D  
RBC Jantzi Global Equity  
RBC Jantzi Global Equity-D  
Scotia Global Climate Change  
Scotia Global Climate Change-F  
TD Global Sustainability-I

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### GLOBAL SMALL/MID CAP EQUITY

BMO GDN Sustainable Climate Cls AD SR  
BMO Sustainable Climate Class  
Investors Summa Glob Environ Leaders  
Class A

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### GLOBAL EQUITY BALANCED

Ethical Select Global Growth Portfolio  
Ethical Select Global Growth Portfolio-F  
RBC Jantzi Balanced  
RBC Jantzi Balanced-D  
SocieTerra Growth Plus Portfolio

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### GLOBAL NEUTRAL BALANCED

Ethical Select Global Balanced Portfolio  
Ethical Select Global Balanced PT-F

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### INTERNATIONAL EQUITY

Ethical International Equity  
Ethical International Equity-F

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### MISCELLANEOUS

Creststreet Alternative Energy  
Criterion Global Clean Energy CH-F  
Criterion Global Clean Energy-P

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### RETAIL VENTURE CAPITAL

B.E.S.T. Total Return Fund Inc.  
Fondaction (QC)  
GrowthWorks Atlantic Venture Bal-443  
GrowthWorks Canadian  
Quebec Solidarity Fund (QFL)  
Working Opportunity Balanced Ser 1  
Working Opportunity Balanced Ser 2  
Working Opportunity Growth Ser 1  
Working Opportunity Growth Ser 2

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### U.S. EQUITY

Ethical American Multi-Strategy  
Ethical American Multi-Strategy-F  
Meritas U.S. Equity

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### CANADIAN SOCIALLY RESPONSIBLE EXCHANGE TRADED FUNDS

iShares Jantzi Social Index (TSX)

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### SELECTED U.S. SOCIALLY RESPONSIBLE EXCHANGE TRADED FUNDS\*\*

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### RESPONSIBLE COMPANIES

iShares KLD Select Social Index (NYSE)  
iShares KLD 400 Social Index (NYSE)

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### ALTERNATIVE ENERGY

PowerShares Wilderhill Clean Energy  
Portfolio (NYSE)  
PowerShares Wilderhill Progressive Energy  
Portfolio (NYSE)  
First Trust NASDAQ Clean Edge (Nasdaq)  
PowerShares Cleantech Portfolio (NYSE)

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### GLOBAL ALTERNATIVE ENERGY

Van Eck Market Vectors Global Alternative  
Energy (NYSE)  
PowerShares Clean Energy Portfolio (NYSE)

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### SOLAR ENERGY

Claymore Global Solar Energy (NYSE)  
Van Eck Market Vectors Solar Energy  
(NYSE)

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### WIND ENERGY

First Trust Global Wind Energy Fund  
(NYSE)

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\*Source: Social Investment Organization  
([www.socialinvestment.ca](http://www.socialinvestment.ca))

\*\*Source: [www.ETFzone.com](http://www.ETFzone.com)

# Banking on green

How Canadian banks are promoting eco-action



Canada's banking sector figures mightily in a future green economy. Entrusted with hundreds of billions of dollars, employing more than 200,000 Canadians, the sector has tremendous potential to impact the planet for the better through internal green and socially responsible practices. Banking services also have the power to shape the environmental practices of the many companies in which they invest.

"To the extent that banks are asking questions about environmental performance and working with companies borrowing money to make sure they uphold environmentally responsible principles, they are making a big contribution to the health of the planet," says Andrea Baldwin, a vice-president at Canadian Business for Social Responsibility, a non-profit business organization dedicated to CSR.

Sheila Oviedo, associate sustainability analyst with Jantzi-Sustainalytics (a global environmental, social and governance research and analysis firm), adds that Canadian banks outperform their North American peers in environmental, social and governance performance. "Canadian banks are also very competitive with one another with respect to their sustainability practices."

Banking services can play a leadership role for all business by taking a stance on strict environmental and social standards. "Banks play a significant role in promoting green initiatives across all sectors, with standards for credit and loans as well as project finance." While it is true that banks continue to finance projects and industries with negative environmental impacts, here's where they show real leadership on impacting the environment for the better.

## Credit and loan standards

Experts agree banks' greatest green influence when it comes to credit and loan standards is in three areas: setting internal standards for high environmental and social risk industries; ensuring borrowers uphold banking environmental and social standards; and avoiding investments in controversial industries.

"Canadian banks are trailblazers in establishing lending guidelines that consider environmental and social risks," says Oviedo. BMO was one of the first banks to identify specific industries to be considered to be environmentally sensitive and rolled out lending guidelines tailored to those specific 50 industries. "Those guidelines include considerations for property and operational audits, identification of environmental exposure, and evaluation of a borrower's environmental management practices," she says. "BMO also identifies and evaluates environmental risks relating to climate change and forest biodiversity."

Along with TD Bank Financial Group, BMO was also one of the first banks in Canada to establish exclusionary criteria for financing, she adds. More recently, RBC also rolled out its comprehensive environmental and social risk assessment scheme and also established an exclusionary criteria for certain industries.

TD Bank's wholesale and business banking group also adopted environmental and social credit risk management processes, which include company and sector-specific reviews for environmental and social issues (as well as climate change and regulatory risk). "TD states that it does not lend money for transactions that would involve activities within World Heritage sites or would result in degradation of protected endangered natural habitats (as classified by the World Conservation Union)," adds Oviedo.

In addition to setting and upholding strong credit and loan standards, Scotiabank is noted for promoting and supporting the adoption of green business practices internationally. One example of that is its sponsorship of GreenPYME, a small business energy audit program with Inter-American Investment Corp. Using GreenPYME, more than 100 small- and medium-sized enterprise customers in Jamaica have been involved in consultations to evaluate and improve the energy efficiencies of their businesses, for example. "Scotiabank's very focused on promoting environmental best practices globally," adds Baldwin.

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## Banking on green

### Business operations

Most Canadian banks have taken steps to reduce their environmental footprint, according to Kernaghan Webb, founding director, Institute for the Study of Corporate Social Responsibility at Ryerson University. For instance, ING's worldwide operations have been carbon neutral (a balance between carbon emissions and those offset) since 2007. While TD Bank is vocal about reaching its target of becoming carbon neutral in 2010, including retrofitting lighting and optimizing the heating and cooling systems in its buildings, BMO is also a leader in reaching carbon neutrality. "It is just a lot quieter about it," adds Baldwin. BMO taps Bullfrog Power's clean, emission-free electricity to power many of its branches in Nova Scotia, New Brunswick, and Prince Edward Island in addition to Ontario, Alberta, and British Columbia.

Relative to its peers, Royal Bank of Canada (RBC)'s environmental management system (EMS) is considered quite strong, detailed and comprehensive, according to experts. The EMS applies to all RBC premises, with particular emphasis on real estate operations within Canada, and covers energy management, ozone depleting substances, environmental site assessments, purchasing and contractors, pest management, water conservation, use of cleaning products, hazardous materials handling and recycling.

RBC also understands the importance of executive level accountability to environmental and social issues. The company has a number of positions, including a director of corporate environmental affairs, a senior manager of environmental initiatives and a senior manager of environmental risk management who all report to the vice-president of corporate citizenship and to RBC's global risk management group. The corporate environmental affairs group, which oversees RBC's lauded Environmental Management Systems, reports to the chief operating officer and periodically to RBC's group executive and board of directors, adds Oviedo. (RBC's leadership in environmental, social and governance risk put it on Businessweek's Global 100 in 2010.)

In another example of Scotiabank's international environmental stewardship, its Peru offices developed Grupo Scotiabank Ecoeficiente, an internal recycling program for paper, glass, plastic, cans, and organic waste at its Lima headquarters. Through the program, Scotiabank Peru formed an alliance with non-profit Ciudad Saludable and its network of independent street labourers, who collect and sell recyclable materials thus ensuring a stable income for the recyclers and their families. Scotiabank Peru staff participation

is encouraged through training workshops for cleaning and maintenance workers, as well as bank leaders who promote the program among peers.

### Sustainable products and services

Banks are developing creative and useful products and services that respond to consumer demand for sustainable choices, from paperless statements to credit cards co-branded with environmental charities when they want to support a particular cause. To promote the use of hybrid vehicles, for example, TD Bank created an innovative Green Wheel Auto Insurance Discount, which offers savings of up to 10 percent off the total premium of car insurance with a TD-owned insurance company for hybrid owners.

Vancity, a leading green credit union based in Vancouver noted for transparency, disclosure and corporate governance, has tailored a plethora of innovative products and services that promote the environment such as enviro Visa (at least five percent of annual profits go to local environmental projects), the Eco Efficiency loan, tailored to help non-profits and businesses invest in energy-saving upgrades to facilities, and microloans for green businesses at a preferred rate of prime +3 per cent.

Banks are also supporting the environment with sustainability funds that focus on investment in "green" companies. Scotiabank promotes investment in climate change, in particular, through its Scotia Global Climate Change Fund, a fund that invests primarily in a diversified portfolio of equity securities of companies located around the world that are expected to profit from actions taken by companies to mitigate the impact of climate change on the environment. Promoting green "investment" closer to home, Scotiabank also offers a special line of credit that can help homeowners invest in energy-efficiency upgrades for their homes (Scotiabank's Scotia Total Equity Plan).

When it comes to financing alternative sources of energy, "Canadian Imperial Bank of Commerce stands out for aggregate amount," says Oviedo. "It has financed renewable energy projects having raised or extended over C\$3 billion in capital for renewable energy developers since 2002." CIBC also organizes an annual Clean Energy Investor Conference involving companies from clean energy sectors to promote the sustainable practice.

When it comes to clean energy project financing (excluding loans and lines of credit), from 2004 to 2010, the top three banks in Canada are Manulife Financial Corp. (US\$1.8 billion); Bank of Nova Scotia

Banks are developing creative and useful products and services that respond to consumer demand for sustainable choices.

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## Banking on green

(US\$917 million); and CIBC (US\$680 million), according to preliminary results from Bloomberg New Energy Finance research. Maggie Kuang at the Singapore Bloomberg New Energy Finance office, adds that given the significant investment by Manulife alone, "which is half the value of total deals it participated in the past six years," clean energy is becoming a more attractive investment opportunity in Canada.

"By investing in clean energy, we can fight air and water pollution and global climate changes, establish energy security for countries, develop more sustainable economies and create green jobs," adds Kuang.

In addition to retail products and corporate lending, Canadian banks are leaders in the area of Environmental Markets, specifically carbon markets, the process of monetizing the price of carbon to give economic incentive for achieving a reduction on the emission of pollutants. Both Scotiabank and RBC offer certified emission reduction (CER) credits. "Anyone has the right to originate carbon credits through investing in a Clean Development Mechanism project, which generates CERs you can sell," adds Georgina Edwards, a senior analyst with Bloomberg New Energy Finance. As banks increasingly act as intermediaries in the transaction process, they will add liquidity to the market or encourage its development, says Edwards.

### What are the Equator Principles (EPs)?

Several Canadian banks have signed on to respect a voluntary international set of 10 principles for determining, assessing and managing social and environmental risk in project financing (with total capital costs of \$US10 million or more).

The first principle that Equator Principles Financial Institutions (EPFIs) commit to is reviewing and categorizing projects based on their potential for environmental impact (using screening criteria from the International Finance Corporation performance standards on social and environmental sustainability). The second principle is to conduct an assessment of environment risks that includes practical risk mitigation and management measures. The remaining principles include standards around consultation and disclosure as well as a grievance mechanism, among others.

EPFIs also commit to not providing loans where the borrower doesn't comply with its own EP-based policies and procedures.

The principles are intended to serve as a common baseline and framework for each institution's own internal social and environmental policies, procedures and standards related to its project financing activities.

### Community activity & consumer awareness

The list of social and environmental community and national initiatives banks support through donations and sponsorships is long. One that stands out in Baldwin's opinion: RBC's Blue Water Project, an innovative, wide-ranging, 10-year global commitment to help protect the world's fresh water. It includes a \$50-million philanthropic commitment to supporting organizations that protect watersheds and ensure access to clean drinking water. Since 2007, RBC has committed over \$27 million to more than 350 organizations worldwide working in this area.

RBC doesn't stop there. It's intending to help educate Canadians on climate change through its sponsorship of the Climate Prosperity Initiative — a collaboration between the National Round Table on the Environment and the Economy (NRTEE) and Royal Canadian Geographical Society (RCGS) announced in the fall of 2010.

The foundation of Scotiabank's green education and community activities is its EcoLiving program, including its web site, [ecoliving.scotiabank.com](http://ecoliving.scotiabank.com), EcoLiving Awards and EcoLiving magazine. The overarching aim of the platform is to encourage Canadian homeowners to take on green renovations. Another prong of the platform is Scotiabank's sponsorship of Environmental Defence's I AM Green Power campaign, which empowers Canadians to find local climate-change solutions, while featuring stories from Canadians as they make environmental differences as part of their everyday lives.

Scotiabank's efforts have struck a chord with employees. In 2010 it was named to Maclean's List of The Green 30, a roster of companies that get top marks from employees for their environmental efforts. Staff gave kudos in particular for the Scotia Global Climate Change Fund; the launch of a paper reduction policy that helped switch 6,800 accounts to paperless record-keeping, and led to 5,056 tonnes of paper being recycled from branches and offices; and a ScotiaGreen intranet site and information lunches to educate employees about climate change.

Last but far from least is the TD Friends of the Environment Foundation, which has provided \$53 million in support to more than 19,000 grassroots environmental projects over the past 20 years.

Environmental sustainability runs deep in Canadian banks' social responsibility activities. Aggressive corporate green initiatives, well-articulated social and environmental standards for lending and investment, and a strong commitment to supporting, educating and promoting green by the banking sector bodes well for a future green economy and a green planet. ●

## Glossary of terms

If you're thinking of making your dollar greener, you'll need a handle on the financial lingo you're bound to encounter. We consulted with Andrew Heintzman, president and CEO of Investeco, Canada's first environmental investment company, in preparing the following glossary.

**The ESG Principles:** A set of principles devised by the international investment community that reflect the view that environmental, social and corporate governance (ESG) issues can affect the performance of investment portfolios. ESG principles better align investors with the broader objectives of society.

Among the principles there is a commitment to incorporate ESG issues into investment analysis and decision making through actions such as developing and using available tools and metrics, and encouraging investment service providers to do the same. There is also a commitment to be "active owners and incorporate ESG issues into our ownership policies and practices" through exercising voting rights and participating in the development of standards, for example.

The ESG Principles aim to provide a voluntary framework by which all investors can incorporate ESG issues into their decision-making and ownership practices and so better align their objectives with those of society at large. Learn more about them at [unpri.org](http://unpri.org).

**SRI (Social Responsible Investing):** When ESG factors are integrated into the selection and management of investments. Within SRI, there are several components including:

- **Negative Screening:** Avoidance of investing in companies doing business in industries that are detrimental to society, such as tobacco, alcohol, military or weapons, gambling, pornography, nuclear power, and more.
- **Positive Screening:** Investing in companies that have superior practices

in the area of human rights, workers' rights, environment, socially responsible corporate governance, and more.

- **Community Investment:** Investment of money into community development or micro-enterprise initiatives that contribute to the growth and well-being of particular communities. These projects may include providing loans to low-income entrepreneurs, high risk loans or equity in not-for-profit projects, and so on.
- **Integrating Social and Sustainability Factors With Stock Portfolio Analysis:** Increasingly asset manager are including social and sustainability analysis (rather than simply negative screening) to improve investment decisions.

**Impact Investing:** An investment strategy that proactively seeks to place capital in businesses that generate financial returns *as well as* an intentional social or environmental goal.

**"Triple bottom line" or TBL ("people, planet, profit"):** A term that captures all of the values and criteria that typically go into what make organizations and society successful including economic, ecological and social.

**Mission-based investing:** Incorporating an institution's mission into its investment decisions; guiding what, if any, non-financial (e.g., green) objectives it may set for its portfolio, among other choices.

MBI necessitates understanding that all investments have environmental and social consequences. MBI is a process used to as-

sess these consequences, paired with methodical financial analysis. The MBI process can also strengthen a company's fiduciary responsibility by aligning the mission with asset management.

**Social venture capital:** A form of venture capital investing that injects capital into socially and environmentally responsible businesses. These investments provide market-based solutions to social and environmental issues and attractive returns to investors.

**Responsible Property Investment (RPI):** An approach to property investing that recognizes environmental and social considerations along with more conventional financial objectives. It goes beyond minimum legal requirements, to improving the environmental or social performance of property, through strategies such as urban revitalization, or the conservation of natural resources.

**CRCE (Canadian Renewable and Conservation Expenses):** A category of expenditures (introduced in 1996) that allow investors to fully write-off some of the intangible costs of investing in renewable-energy and energy-conservation projects. The government's goal is to get more Canadians to invest in energy-efficient projects. ●