Skeletons in the Closet:
The ABCs of Donor Screening

Imagine Canada
October 15, 2008
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Jantzi Research Inc.

- an independent investment research firm
- evaluate environmental, social and governance (ESG) performance and risk
- research and analysis underpins the MacLean's Magazine CSR report (formerly in ROB Magazine)
What’s the Risk?
Today’s Agenda

- Why should we be thinking about donor screening?
  - reputational risk – brand exposure
  - competitive opportunity - differentiation

- Due diligence
Reputation

- Bill and Melinda Gates Foundation
- Health-related organization - tobacco
- Environmental NGO – controversial industry
- Barnardo’s
Barnardo’s

- UK charity focused on children - founded 1866

- “…not to hold investments in companies whose activities are considered to be to the detriment of children and **where we believe donor support might be adversely affected.**”
  - companies considered to exploit children (usually in the Third World) in the manufacture of their products
  - companies who derive significant income from the production or distribution of pornography or adult entertainment television
  - companies which derive more than 10% of their turnover from the production or sale of tobacco products
Agenda

- Why should we be thinking about donor screening?
  - reputational risk – brand exposure
  - competitive opportunity - differentiation
Competitive Opportunity

- Canadians are acting on their environmental and social concerns
Segment Dynamics: Mainstream Activists


USA
Canada
Great Britain
Italy
France
Germany
South Korea
China

2007
2005
2001
United Kingdom

- April 2001 - Charities Aid Foundation market survey - 40% of respondents stated that they would prefer to support charities that invest ethically, and a further 14% said they would support only those charities that do so.

- August 2008 - 52% of the general public would be unwilling to give to a charity that is investing in a way that is against its mission, and a further 31% would be less likely to give.

- August 2008 - When asked how important it is to know where and how a charity invests its money, 41% of adults rated this as very important on a scale of 1 to 10 (where 10 equals very important)- just 11% rated this as 4 or below.
Competitive Opportunity

- Differentiation
  - increased competition
  - Charities Aid Foundation market survey - 52% of the general public would be unwilling to give to a charity that is investing in a way that is against its mission, and a further 31% would be less likely to give
  - corporate donations – limiting the pool vs. targeting the best potential partners
Why should we be thinking about donor screening?
- reputational risk – brand exposure
- competitive opportunity - differentiation

Due diligence
Due Diligence

- Decide whether or not to accept corporate donations
- Develop a policy – use mission as a starting point
- Cost (time or money) – shift thinking to investment
- Do it yourself
  - SEDAR and other internet resources
  - Macleans, Corporate Knights, other media
  - other NGOs
- Use an independent consultant
Research Process

Industry Intelligence
- Media and industry publications
- Government/financial databases
- Freedom of Information
- SiRi Company – international

Corporate
- Documents
- Web site
- Financial statements

Jantzi Processes
- Indicator review
- Research audit
- Profile editing

Stakeholders
- Regulators
- Communities
- Employees
- NGOs/ENGOs

Company Review
- Company interviews
- On site visits
- Profile review

Jantzi Analysis
- Assessment of data
- Company specific analysis
- Industry sector analysis
- Scoring/rating

Canadian Social Investment Database
Rating Companies

**Profile**

**Petro-Canada (PCA)**

150 - 6th Avenue S.W., Calgary, AB T2P 3E3

www.petro-canada.ca

Indices: TSX Comp., JSE, S&P/TSX 60

Sector: Energy

Industry: Oil & Gas

Peer Group: Integrated Oil & Gas

FY 2007 Revenue ($ millions): 21,250.0

Number of Employees: 5,603

**Overall Score:** 6.6

**Rank:** 1 of 5

**Indexed Score:** 1.13

**Rating Summary**

- **OVERALL SCORE**
- **COMMUNITY AND SOCIETY**
- **CORPORATE GOVERNANCE**
- **CUSTOMERS**
- **EMPLOYEES**
- **ENVIRONMENT**
- **HUMAN RIGHTS**
- **CONTROVERSIAL BUSINESS ACTIVITIES**

- strength
- concern
- company
- peer group average

**JANITZI RESEARCH**

Leading-edge social investment analysis.
Indicators

- Aboriginal relations
- Community
- Corporate Governance
- Employees
- Environment
- Human Rights
- Other
Aboriginal relations

- Aboriginal relations (North America)
  - policy
  - management structure and responsibility
  - engagement/consulting mechanisms
  - benefits sharing/joint ventures
  - impact on communities

- Indigenous relations (International)
  - policy
  - management structure and responsibility
  - engagement/consulting mechanisms
  - benefits sharing/joint ventures
  - impact on communities
Corporate Governance

- Code of business conduct
- Board committees and independence
- Confidential proxy voting
- Separate chair and CEO
- Share structure
- Executive compensation/termination
- Stock options
Employees

- Programs and benefits
  - work/life balance
  - education and development
  - ownership/profit sharing
  - pension/retirement

- Diversity
  - policy and management system
  - recruitment/retention/promotion
  - maternity/parental benefits

- Health and safety
  - policy and management system
  - record

- Union relations
Environment

- Management Systems
  - policy
  - audits
  - life cycle analysis

- Reporting

- Impact and Initiatives
  - energy, materials, water
  - emissions/discharges, waste management, accidents
  - climate change
  - biodiversity

- Regulatory Compliance
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