



Socially Responsible Investing – Feeling Good About Our Investments: Part 1 – Financials

Description

What if you were told that you could make competitive rates of return on your investment portfolio AND promote socially responsible practices that contribute to the well-being of societies and the environment? Not a bad combination, right?

Socially responsible investing means investing in companies that combine strong financial performance with positive social, environmental, and governance performance.

Among the questions that need to be addressed when determining if a company qualifies as a socially responsible investment are (1) does the company respect human rights and workers' safety? (2) do the company's activities have a negative impact on land, air or water? and (3) how is the company run, or more specifically, is there diversity among the board of directors, independence and executive compensation that is reasonable?

Back in June, Sustainalytics, a global sustainability research firm, partnered with Maclean's to release their list of Canada's most socially responsible corporations. Considering that socially responsible investment assets increased 16% in 2012 and now represents 20% of assets under management in Canada, this list will definitely come in handy for many investors.

Let's take a look at companies in the financial industry that make the grade and have proven to be socially responsible.

Bank of Montreal ([TSX:BMO](#))

Sustainalytics listed the following reasons for Bank of Montreal making the list:

(1) "BMO's board diversity policy ensures that women represent at least a third of the bank's independent board of directors."

(2) Equity and debt financing to the renewable energy sector amounted to \$3.6 billion in fiscal 2012, one of the highest among Canadian banks for that year.

(3) BMO funds a nationwide financial literacy program that aims to educate 45,000 students on personal finance over three years.”

Looking at the financial side of things, BMO’s most recent results beat expectations, with a 17% increase in third quarter profits, as loan loss provisions dropped sharply to \$77 million from \$237 million and they benefitted from higher interest rates. ROE is the lowest of the big banks, and accordingly, BMO is one of the cheapest of the banks, trading at 1.5 times book value. It has a 4.44% dividend yield.

Royal Bank of Canada (TSX:RY, NYSE:RY)

Sustainalytics listed the following reasons for adding Royal Bank to the list:

- (1) “As part of its enhanced sourcing policy, RBC has made a public commitment to work with suppliers to address conflict minerals in its supply chain.
- (2) Underwrote Canada’s first investment-grade solar bond, issued in 2012. The \$172-million bond supports two solar farms in Ontario with a combined production capacity of 40 megawatts that will feed into the Ontario power grid.”

Royal Bank also beat expectations when they reported third quarter results. Net income rose 2.9% and the dividend was increased by 6%.

TD Bank (TSX:TD, NYSE:TD)

Sustainalytics listed the following reasons for adding TD Bank to the list:

- (1) “TD’s new responsible procurement policy states that the company will endeavour to source products and services that protect human rights, ethics, diversity/inclusion and the environment.
- (2) Since 2012, “TD Forests” has protected 487 hectares of critical forest habitat across North America as part of its commitment to protect more than two football fields per day of North American forest habitat over the next five years.”

TD also beat earnings expectations in the third quarter. Investors also learned of a 5% dividend hike, as the Canadian personal and commercial banking operations saw strong results. However, big insurance losses and disappointing investment-banking related results resulted in an overall decline in earnings.

Bottom Line

For the socially conscious investor, the companies that have been able to deliver strong financial performance on top of adopting a socially responsible culture is a great find. We have seen examples of this in the financial industry. Stay tuned, as we uncover more socially responsible companies from different sectors.

The Canadian banks are without a doubt some of the best businesses in the country. For a look at three of the best that our neighbors to the south have to offer, simply [click here now](#) and download our special **FREE** report "[3 U.S. Stocks That Every Canadian Should Own](#)".

*The Motley Fool's purpose is to help the world invest, better. [Click here now](#) for your free subscription to **Take Stock**, The Motley Fool Canada's free investing newsletter. Packed with stock ideas and investing advice, it is essential reading for anyone looking to build and grow their wealth in the years ahead.*

[Follow us on Twitter](#) and [Facebook](#) for the latest in Foolish investing.

Fool contributor Karen Thomas doesn't own shares of any companies mentioned. The Motley Fool doesn't own shares of any companies mentioned.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:RY (Royal Bank of Canada)
2. NYSE:TD (The Toronto-Dominion Bank)
3. TSX:BMO (Bank Of Montreal)
4. TSX:RY (Royal Bank of Canada)
5. TSX:TD (The Toronto-Dominion Bank)

Category

1. Investing

Date

2025/09/29

Date Created

2013/09/04

Author

karenjennifer

default watermark