



Socially Responsible Investing – Feeling Good About Our Investments: Part 2 – Energy and Utilities

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?

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 Energy and Utilities industries that made the grade and have proven to be socially responsible.

Cenovus Energy ([TSX: CVE](#))

Sustainalytics listed the following reasons for Cenovus Energy making the list:

(1) "At its Foster Creek and Christina Lake operations, the company maintains one of the lowest and most efficient "steam-to-oil" ratios—the amount of steam required to produce one barrel of oil—thus reducing overall energy use.

(2) At its oil-sands operations, fresh water from underground aquifers constitutes less than five per cent of water used. The remainder is salt water that can't be used for agriculture or drinking."

Looking at the financials, Cenovus, created in 2009 when Encana spun off its oil and refinery assets from its natural gas business, has shown strong and predictable production, and has an estimated reserve life of 48 years. The company's latest results were disappointing and lower than last year, and the oil sands business is very high cost and capital intensive. Cenovus pays a dividend yield of 3.14%.

Suncor Energy ([TSX: SU](#))

Sustainalytics listed the following reasons for Suncor Energy making the list:

- (1) "A founding member of Canada's Oil Sands Innovation Alliance, consisting of 14 companies legally bound to share solutions that mitigate the environmental impact of oil-sands production. This collaborative effort focuses on tailings, water, land use and emissions.
- (2) Partnered with the Walrus Foundation to host a series of conversations on energy use among Canadians. The forums help to foster an ongoing conversation about local, national and international energy use and production."

Back to the financials. The stock has been relatively flat since 2009, but Suncor has a history of raising dividends and currently has a dividend yield of 2.23%. Going forward, Suncor has issued a very bullish production outlook for the second half of this year, an almost 30% increase over second quarter production.

Talisman Energy ([TSX: TLM](#))

Sustainalytics listed the following reasons for Talisman Energy making the list:

- (1) "Demonstrates strong transparency by reporting annually on its environmental- and safety-performance targets and progress. In 2011, the company surpassed its safety goal, reducing its lost-time injury-frequency rate by 45 per cent. In 2012, the company's goal was to reduce this rate by a further 15 per cent.
- (2) Established "shale operating principles" to ensure its hydraulic fracturing activities are conducted in a safe, environmentally responsible manner that is beneficial to local communities."

Talisman has been struggling with lackluster production growth, inefficient operations and a high cost profile for years. Recently, the company released its second quarter 2013 results, disappointing investors yet again with more of the same. So while this company is doing well in the area of social responsibility, its strategic, financial and operational performance has been disappointing for some time now.

TransAlta Corp. ([TSX: TA](#))

Sustainalytics listed the following reasons for TransAlta making the list:

- (1) As part of TransAlta's commitment to reclaim land to a state that is equivalent or better than it

was before mining activities, the company has planted 1.5 million trees at its former Centralia Mine.

(2) As Canada's largest wind power operator, TransAlta has decreased its percentage of energy derived from coal by 13 per cent in the past decade, and renewable energy now accounts for nearly 25 per cent of its generating capacity.

TransAlta is currently struggling with heavy debt levels and recently announced that it would sell shares in a new company that will hold about half of its wind and hydropower assets. They will use the proceeds to repay debt. The new company is called **TransAlta Renewables** ([TSX: RNW](#)), and will have about 1,112 net megawatts of wind and hydropower plants. TransAlta Corp. will retain an 80 to 85% stake in TransAlta Renewables and has a dividend yield of 8.7% at this time.

The Bottom Line

For the socially conscious investor, companies that have been able to deliver strong financial performance on top of adopting a socially responsible culture are a great find. Stay tuned, as we continue to uncover more socially responsible companies from different sectors.

While these energy related entities are demonstrating a solid commitment to social responsibility, the companies profiled in our special **FREE** report "**5 Companies To Replace Your Canadian Index Fund**" have demonstrated a strong ability to make long-term shareholders a lot of money. [Click here now](#) and we'll send you this report at no charge. One of the five was recently taken out a big premium. To learn more about the remaining four, [click here now](#)!

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

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:CVE (Cenovus Energy Inc.)
2. TSX:SU (Suncor Energy Inc.)
3. TSX:TA (TransAlta Corporation)

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