



# Igniting Change

An introduction to RBC's social finance initiative

# What is social finance?



- Social finance is the use of private capital for public good
- It is financing enterprises and organizations that deliver social or environmental benefits to communities
- Impact investing is a type of social finance, where profit-seeking investors place capital in enterprises that intentionally generate positive social or environmental change

# How is RBC involved?



- In January 2012, RBC announced a bold new commitment to facilitate solutions to social and environmental problems through social finance
- The RBC social finance initiative includes:
  - Establishing the \$10 million RBC Generator, a pool of capital to invest in for-profit businesses with a social or environmental purpose
  - Investing at least \$10 million of the RBC Foundation endowment in Socially Responsible Investments (SRI)
  - Catalyzing the growth of social finance in Canada through strategic partnerships, thought leadership and convening industry experts
  - Exploring additional business opportunities for RBC in social finance

# Rationale



## The Public Interest

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- Government resources are strained and new approaches to funding and delivering services are needed
- Support for social enterprises stimulates entrepreneurship, innovation and job creation
- New financial vehicles (versus traditional finance or grants) will contribute to enterprise success and stability
- RBC leadership can catalyze similar commitments from others in the business community

## The Benefits for RBC

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- RBC can provide sector leadership and innovation in finance, business, corporate citizenship and public policy
- Positions RBC to explore opportunities to offer clients social finance products and services

# RBC Generator: Focus Areas



- ✓ Significant potential for social or environmental impact
- ✓ Profit opportunity
- ✓ RBC corporate citizenship and/or business strategy alignment

<b>Water</b>	<ul style="list-style-type: none"><li>▪ Stressed water infrastructure can't meet growing demands</li><li>▪ Solutions needed for regional water quality problems</li><li>▪ Climate change = unpredictable impact on water availability</li></ul>
<b>Energy</b>	<ul style="list-style-type: none"><li>▪ Growing global demand for energy</li><li>▪ Rising GHGs driving climate change</li><li>▪ innovative solutions needed to drive down costs and reduce impacts</li></ul>
<b>Employment for youth</b>	<ul style="list-style-type: none"><li>▪ The jobless rate for younger workers, aged from 15-24, is nearly twice Canada's national average</li></ul>
<b>Employment for the hard to employ</b>	<ul style="list-style-type: none"><li>▪ High jobless rate for those without high school or university diploma</li><li>▪ Importance of employment for those with mental health issues</li><li>▪ New immigrants face employment challenges</li></ul>

# Social Finance Initiative components



## 1. RBC Generator

- Focus areas
- Fund design
- Investee support
- Investment process
- Impact measurement



## 2. Investing Endowment Funds in SRI

## 3. Catalyzing Social Finance

## 4. Exploring Business Opportunities



# RBC Generator: Fund Design



	Direct Investment	Funds
<b>Total Investment Size</b>	~60% of \$10MM	~40% of \$10MM
<b>Focus</b>	<ul style="list-style-type: none"> <li>• Energy and water</li> <li>• Employment for youth and disadvantaged groups</li> </ul>	<ul style="list-style-type: none"> <li>• Energy and water</li> <li>• Employment for youth and disadvantaged groups</li> </ul>
<b>Type of Enterprise</b>	<ul style="list-style-type: none"> <li>• Canadian</li> <li>• Revenue positive to early growth stage</li> </ul>	<ul style="list-style-type: none"> <li>• Priority to funds comprising Canadian enterprises</li> <li>• Investing in every stage of growth cycle</li> </ul>
<b>Type of Investment</b>	<ul style="list-style-type: none"> <li>• Equity</li> <li>• Debt</li> <li>• Convertible debt</li> <li>• Between \$100,000 to \$500,000</li> <li>• &lt;25% ownership position</li> </ul>	<ul style="list-style-type: none"> <li>• Debt and equity funds</li> <li>• RBC investment between \$500,000 and \$2 million</li> <li>• &lt;25% ownership position</li> </ul>

# RBC Generator: Investee Support



## Legal support

- RBC will facilitate affordable relationships with external legal counsel

## Financial advice and mentoring

- Access to network of RBC advisors
- Networking opportunities with experienced business-owners and investors

## Skills for running a high-growth company

- Opportunities to participate in accelerator programs for social entrepreneurs



# RBC Generator: Impact Measurement



## Energy

- Change in amount of energy used
- Change in greenhouse gas and other emissions

## Water

- Reduction in amount of water used
- Improvement in water quality

## Employment

- Number of people employed
- Value of wages



## 2. Invest Part of RBC Foundation Endowment in SRI Funds



- Most foundations and endowments are just beginning to consider how to make their asset pools align with their social mission
- In 2010, the Task Force on Social Finance advised foundations to invest at least 10% of endowments in “mission-related” investments. Do good with the capital, not just with the interest
- To demonstrate a relatively simple way to invest according to mission, the RBC Foundation moved \$17 million (~39%) of endowment assets into PH&N Community Values Funds in April 2012

# 3. Catalyze social finance in Canada



## Inform

- White papers
- Surveys
- Online profiles of investees

## Measure

- Measure and report outcomes
- Publish annual SROI case study

## Invest

\$10 million in social enterprises

## Incubate

- Skills development
- Advice and mentoring
- Access to experts

## Convene

- Conferences
- Global networks
- Investor Roundtables

## 4. Explore Business Opportunities



- Foundations, endowments seeking to invest according to mission
- Accredited investors seeking private equity opportunities in impact investing
- Retail investors seeking exposure to impact investing
- Early-stage companies seeking debt and equity financing
- Early-stage companies seeking advice
- Corporations seeking to expand traditional philanthropy to include impact investment



Thank You!

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