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
The Public Interest

- 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

- 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

| Water                  | ▪ Stressed water infrastructure can’t meet growing demands
|                        | ▪ Solutions needed for regional water quality problems
|                        | ▪ Climate change = unpredictable impact on water availability

| Energy                 | ▪ Growing global demand for energy
|                        | ▪ Rising GHGs driving climate change
|                        | ▪ Innovative solutions needed to drive down costs and reduce impacts

| Employment for youth   | ▪ The jobless rate for younger workers, aged from 15-24, is nearly twice Canada’s national average

| Employment for the hard to employ | ▪ High jobless rate for those without high school or university diploma
|                                  | ▪ Importance of employment for those with mental health issues
|                                  | ▪ New immigrants face employment challenges
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

<table>
<thead>
<tr>
<th>Total Investment Size</th>
<th>Direct Investment</th>
<th>Funds</th>
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<tbody>
<tr>
<td></td>
<td>~60% of $10MM</td>
<td>~40% of $10MM</td>
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<table>
<thead>
<tr>
<th>Focus</th>
<th>• Energy and water</th>
<th>• Energy and water</th>
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<tbody>
<tr>
<td></td>
<td>• Employment for youth and disadvantaged groups</td>
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<table>
<thead>
<tr>
<th>Type of Enterprise</th>
<th>• Canadian</th>
<th>• Priority to funds comprising Canadian enterprises</th>
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<tbody>
<tr>
<td></td>
<td>• Revenue positive to early growth stage</td>
<td>• Investing in every stage of growth cycle</td>
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<table>
<thead>
<tr>
<th>Type of Investment</th>
<th>• Equity</th>
<th>• Debt</th>
<th>• Convertible debt</th>
<th>• Debt and equity funds</th>
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<tbody>
<tr>
<td></td>
<td>• Between $100,000 to $500,000</td>
<td>• RBC investment between $500,000 and $2 million</td>
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<tr>
<td></td>
<td>• &lt;25% ownership position</td>
<td>• &lt;25% ownership position</td>
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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
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

Incubate
- Skills development
- Advice and mentoring
- Access to experts

Convene
- Conferences
- Global networks
- Investor Roundtables

Invest
$10 million in social enterprises
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!

rbc.com/socialfinance

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