



Remarks by:

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MaRS 2012 Social Finance Forum

**Toronto, Ontario
November 8, 2012**

Check Against Delivery

Good morning everyone.

And thank you, Ted, for your introduction, and to the team at MaRS for inviting me here today. It's an honour to be here speaking about social finance – particularly since I don't consider myself to be an expert on that topic. I do, however, have a great interest in it, and am pleased that RBC is getting increasingly involved.

I wouldn't be surprised if some of you might be quite puzzled about why a bank CEO would be talking about social finance, as bankers, at least in the US and Europe, are often blamed for causing much of today's societal challenges. Fortunately, in Canada our track record is a little better.

RBC is here because we actively care about all of our constituents, and we work hard to strike a balance between our business interests and broader social and environmental interests, because we believe that this balance is critical to our long-term success.

It's no surprise to any of you that the financial and economic crisis caused a significant deterioration of, trust and credibility across all industries – particularly in banking.

Billions of people around the world continue to suffer through the effects of a persistently lingering recession.

And then, of course, there are the environmental and social impacts caused by businesses around the globe – businesses stuck in an antiquated model of measuring success.

Today's stakeholders expect much more from corporations and societies expectations are only going to increase in the future. The definition of corporate social responsibility is changing and I am confident that corporations that rise to the occasion, those that find balance and live up to their social contract, will create substantial long-term value.

One reason for that confidence is our young people.

Junior Achievement recently surveyed 750 teens about their future careers. In the midst of the worst recession in living memory, an overwhelming majority of those teens – 84 per cent – said they would pass on a 'perfect job' for the opportunity to make a difference in the world. In my view, they should not be mutually exclusive.

Maybe surprisingly, another reason for confidence is the baby boom generation, of which I, unfortunately, am a member. As this influential demographic approach their golden years, many are thinking of their legacies and what we are leaving for our children and grand-children, and looking for ways to improve the world and 'give back'.

Business models are changing...because peoples' value systems are changing. And across all spectrums, people are looking for ways to make an impact.

As a direct result, demand for products and services that meet society's changing values are growing rapidly.

I take great pride in the positive role and impact that RBC has long had on communities and in our history of community engagement.

Our most important role as a global financial institution is in capital formation, helping individuals and businesses grow and prosper. We also pay taxes, purchase goods and services, contribute over \$100 million a year in donations and sponsorships to social and environmental causes around the world, and encourage the involvement of our 80,000 employees in their communities.

Notwithstanding, our profit motive, we create a lot of good. But those are table stakes.

Now, it's time for companies like RBC to raise the bar. It's time to transform, innovate and focus on measureable social returns and benefits

The theme for this forum is 'Measuring Up'.

For at the core of this movement – this shift – is the idea that we, as a capitalist society, need to begin measuring success in new ways.

We – and by 'we' I mean corporations, investment community, governments, not-for-profits, all of us – are at a turning point.

We have an important decision to make.

Do we collectively want our legacy to be that we simply magnified or perpetuated the world's social, financial and ecological problems in the course of running our businesses?

Or do we want to be the first generation that set out to deliberately and strategically connect business success with social progress and environmental sustainability?

Michael Porter came up with one answer. Many of you will be familiar with Porter, a Harvard professor and business strategist, considered to be the father of modern competitive strategy.

He has 18 books and more than 125 articles to his credit. Two years ago, Porter's paper called, 'Creating Shared Value' captured worldwide attention, shining a spotlight on the principles that are so central to what we're talking about today.

In 'Creating Shared Value', Porter suggests that it is time for us, as a society, to change the way we measure success.

Consider the following excerpt from his paper. And I quote:

"A big part of the problem lies with companies themselves, which remain trapped in an outdated approach to value creation ... They continue to view value creation narrowly, optimizing short-term financial performance in a bubble while missing the most important customer needs and ignoring the broader influences that determine their longer-term success.

Indeed, history will most likely show that our generation viewed value with too narrow a lens.

Increasingly, however, we're seeing instances in which short-term performance is not the only measurement of success. A growing number of 'organizations are beginning to look at ways to contribute to social and environmental success while at the same time driving financial performance.

As an example, everyone from Toronto is familiar with the Evergreen Brick Works, a community and environmental centre in the heart of Toronto's Don Valley.

It was 1889 when the Taylor brothers founded the Don Valley Brick Works. Ninety-five years later, the factory closed, leaving a legacy of 16 abandoned heritage buildings.

In 2010, Evergreen Brick Works opened as a year-round living demonstration of how to create greener models for urban living.

Evergreen's flagship programs – Learning Ground and Common Grounds - have helped more than half a million Canadians transform barren asphalt into dynamic, thriving green spaces.

But Evergreen Brick Works is also a business – a social enterprise – generating income from a garden centre, office and event space rental, retail rents, and even parking meters.

RBC is proud to have played a small part in this success story. We provided Evergreen with financing for their Brick Works facility, and have supported a number of Evergreen programs since.

We knew that our involvement made sense from a social and environmental perspective, and we saw that it could make sense from a business perspective. The proverbial 'triple bottom line'.

In many ways Brick Works was a social impact investment before, at least in my case, I had never heard of these words.

At RBC we also believe there are plenty of exciting, new opportunities to address core social issues while generating solid financial returns.

Traditionally, the corporate landscape has been driven, to a large extent, by short-term, quarterly guidance. It's time to expand our view. It's time for us to see business and the world in which it operates not just through a quarterly lens, but also through one that is generational.

Given our venue, I realize that to a great extent, I'm preaching to the choir. I know that many of you here today have believed for years that this is the way forward.

Certainly, in Canada, we are still in the early days of this transformation. But it can't happen quickly enough. And RBC has decided to become actively involved.

We are not, as you well know, a social venture, nor will we ever be one and I am not so naïve as to think that our profits and share price won't always be viewed as the most important drive of success. But we can make a difference and we can play a role in supporting this growing and exciting sector.

Now some might say RBC has been financing companies with a social purpose for decades.

But if we were, we probably didn't even know we were doing it and we were not thinking about it in the same way that we are today. And we certainly weren't making a concerted effort to ensure we were giving these companies the customized support and financial structures that work best for them.

But today, we ‘get’ that financing companies with a social purpose should be more deliberate, more targeted and more flexible. And that it needs to be scaled up.

It’s up to companies like RBC to look at how to best support social enterprises, which means figuring out how to structure financing so that mission-driven companies are not simply a happy coincidence, but mainstream.

For our part, as Canada’s largest financial institution, RBC embraces its responsibility to take a leadership role in this area.

In February, we announced the creation of the RBC social finance initiative, a \$20 million commitment to help foster and cultivate positive, wide-ranging social and environmental change.

This commitment includes:

- The RBC Generator, a \$10 million pool of capital for investing in small businesses that generate a social and/or environmental return. This capital will provide much-needed financing for innovative enterprises that help address issues around water and energy, and employment opportunities for youth and disadvantaged groups – and have a “for profit” model. And if successful, we will grow and recycle those dollars.
- And we also invested \$10-million from the RBC Foundation’s endowment assets in Socially Responsible Investments (SRI)

I believe that we were the first major financial institution in Canada to announce such an initiative, which builds on our strong and longstanding reputation for leadership and innovation in finance, business, corporate citizenship and public policy.

We were the first because we wanted to catalyse the growth of social finance in Canada. We want to help motivate and inspire other organizations across Canada to make similar commitments to use markets to help create positive social and environmental change. Our hope is that others, including our banking competitors, will jump on the bandwagon.

We believe that addressing core social and environmental issues and providing a financial return are not mutually exclusive. On the contrary, they are becoming more closely linked than ever before. And they are both critical to building long term success.

We’ve named the RBC Generator quite deliberately, because the capital we invest through this pool should catalyze and help generate social or environmental change. We want these changes to be sustainable, so we’re also helping develop best practices to measure and optimize the social and environmental value of our investments. We also expect a financial payback, so our goal is to build an investment portfolio with near-market-rate returns.

And as the people in this room know better than most, this is a shift that is happening and companies that ignore it will do so at their peril.

That’s probably as good a segue as any to say a few words about the excellent people and programs at MaRS.

I've been following this organization's work with great interest since it was founded 12 years ago. I've had the honour of serving as its chair for the past three and a half years.

There are plenty of organizations out there that use the word 'innovative' to describe themselves in their marketing materials. But when it comes to its commitment to innovation, MaRS is truly one of the leaders on the Canadian business landscape.

I would like to take this opportunity to congratulate Ilse and her team for putting on events like this one – events that will continue to play such an important role in engaging people, capturing their imaginations and encouraging them to create shared value.

I would also like to take this opportunity to commend MaRS for the creation of the Centre for Impact Investing.

There are a growing number of charities, non-profits, co-ops and for-profit companies building business models to tackle social and environmental problems. They are turning to investors for the financing to launch and grow innovative new programs, in order to become sustainable and stimulate economic growth. As a result, there is an expanding base of interested and talented youth and mainstream finance leaders seeking to support this work. However, there is currently limited coordination and no clear entry point for the emerging impact investing industry in Canada.

This is the gap that the Centre for Impact Investing fills. It will strengthen an emerging marketplace by mobilizing capital – establishing frameworks to more efficiently connect people and their innovative ideas to private capital, so that they can tackle complex societal problems, create jobs, foster communities and yes, earn a profit.

MaRS has proven leadership in impact investing, and the Centre for Impact Investing offers:

- A solid resource and research base recognized nationally as a knowledge centre and well-connected through partner networks.
- Capital expertise and networks through angel and venture capital relationships, and active engagement in new fund formation.
- Strong relationships with leading corporations and foundations as well as public-sector leaders.
- The use of global infrastructure (e.g., GIIRS, IRIS) to advance local efforts.
- Access to consolidated resources including deal-design templates, educational workshops, and strategic data.
- Connections to investment-ready ventures and seasoned entrepreneurs—and the tools, advisors and programs to support them.
- A community of experts and emerging talent built through MaRS networks, programs and services.

RBC is honoured to be part of this shift that is occurring and to be taking a leadership position in impact financing.

And RBC is ready and willing to lend its support and resources to help make it happen.

This sector is just emerging. And together, we have a chance to determine what it will look like. It's an exciting time. But enthusiasm alone won't get the job done. The funds also need to be there.

To that end, I am extremely pleased to announce a donation to the MaRS Centre for Impact Investing from RBC Foundation in the amount of one million dollars.

We are delighted to help fuel the important and innovative work being done by the Centre. This gift will be focused on three key areas:

- First, to help finance the education and engagement of both social and environmental entrepreneurs.
- Second, to help advance the development of models and tools for better measuring social impact.
- And third, to help stimulate research that informs prospective impact investors of the challenges and opportunities in impact investing.

We know that the Centre will play a critical role in supporting new enterprises that are deliberately designed to address core social and environmental issues while also generating a financial return.

In the 'big picture' sense, we're still in the early days of this shift. And there's a tremendous amount of work to be done. There's also unprecedented need out there today. And where some might see a roadblock, smart companies and people, like those of you here today, will see opportunity.

And like many of you, we hope to be on the front lines, driving economic growth while at the same time helping to create a more sustainable future for all.

Thank you.