

THE CANADIAN MAGAZINE FOR RESPONSIBLE BUSINESS



CORPORATEKNIGHTS

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Congo

From the Heart of Darkness to the Land of Opportunity

Energy & Conflict

Responsible Investing Guide

Chic Sustainability

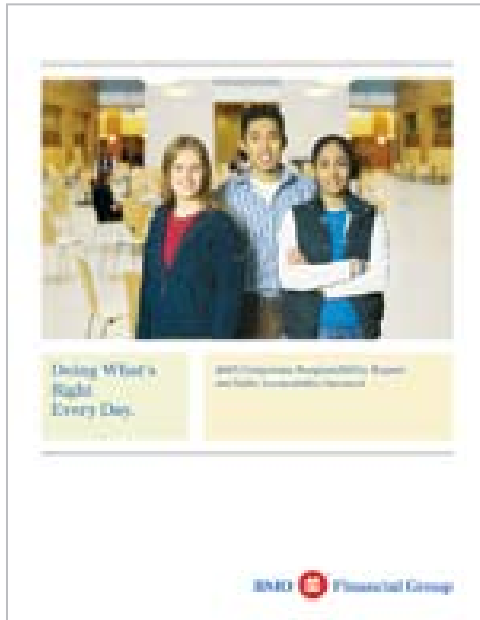
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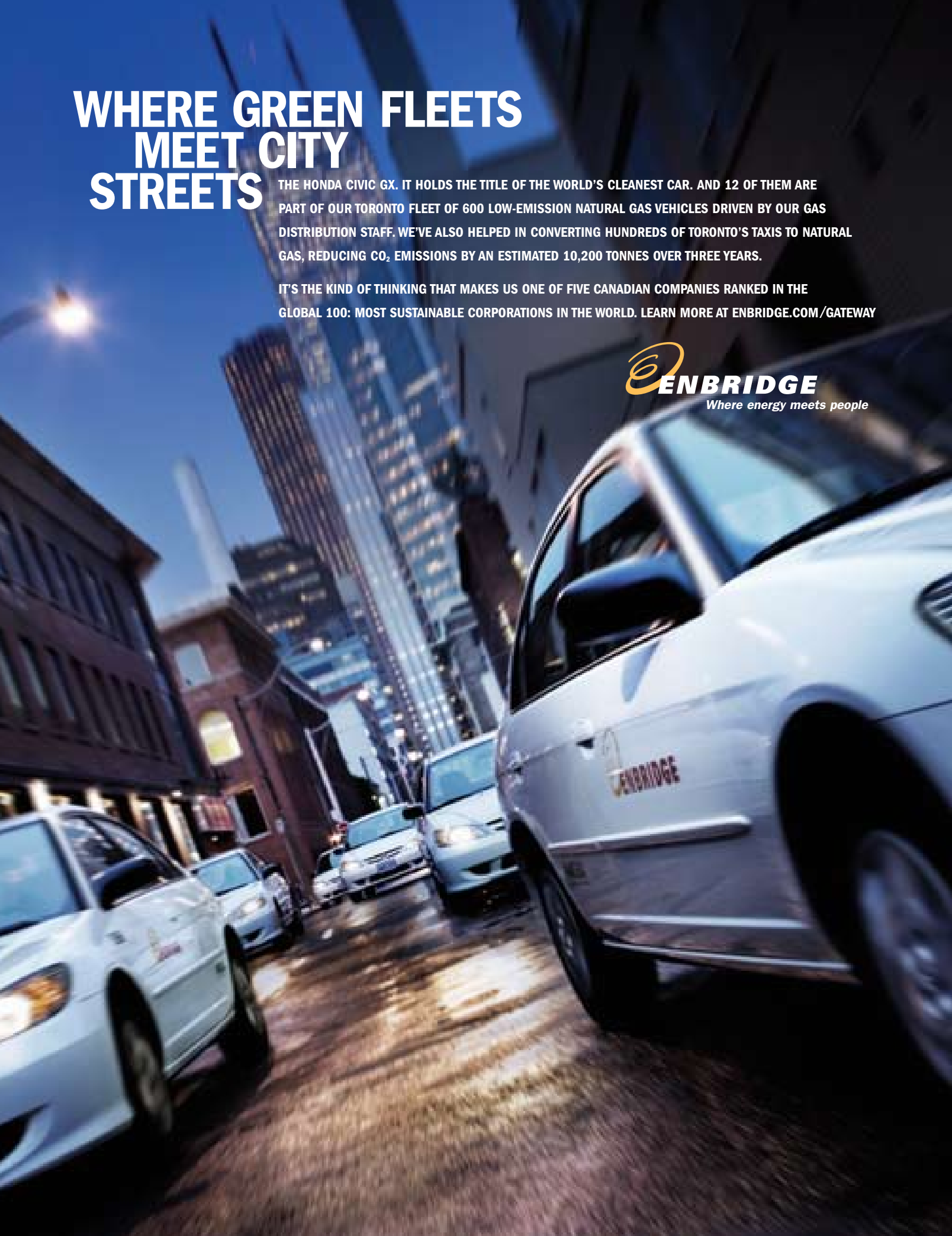
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PHOTO: Kim Gjerstad

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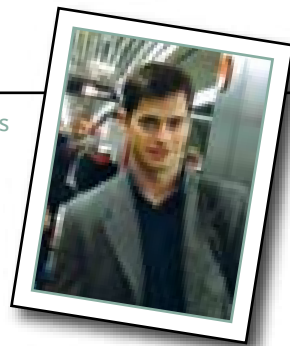
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A KNIGHT'S TALE...

"The vilest scramble for loot that ever disfigured the history of human conscience."

— Joseph Conrad, *The Heart of Darkness*

In my last year of university, I learned an important lesson while driving my 1980 Volvo up Calgary's Nose Hill from my construction job to my dishwashing job at Joey Tomatoes restaurant. I was changing from my construction boots to my black shoes as per Joey's dress code, and when I looked up, all of a sudden, there was a big yellow Blue Arrow school bus stopped about 50 feet in front of me. I tried to slam the brakes, but I was a little disorientated because my shoes were off, and the Volvo was a standard. Instead of hitting the breaks, I hit the gas, and my Volvo rammed into the bus, making like an accordion. Thank God there were no kids in there. Fortunately, those Blue Arrows are built like tanks with cast-iron bumpers, so there was barely a scratch for him to worry about. By sticking my head out the window I was able to navigate the car home after my shift and laid it to rest where it would become a colony for mice. Every time I looked in the backyard, the crumpled up Volvo reminded me of two things: it's not a good idea to try to change your shoes while driving, especially a standard car with its complex pedal apparatus, and as an extension of that, humans usually fail when—chewing gum and walking aside—they try to do two things at once.

For a long time that lesson was gospel for institutional investors, the people who control the capital markets that run our world. They had a fancier term, of course, something called fiduciary duty, which basically was trotted out anytime concerned but naïve citizens asked why their pensions couldn't be invested in a way that was consistent with their values. The argument went, "We are legally required to make money for you—full stop. We have enough trouble doing that, so if we lose our focus and try to do all these other things (enhance social justice, protect the environment), we

will fail at everything. It's not our job. Those types of things are for the government to worry about." That was then.

Three epochal moments changed this simplistic approach forever this year. It was a decade in the coming, because when you run the world, you cannot ignore the basis on which the bottom line rests, which is: functioning States that provide stability.

The main actors of this sea change are Freshfields Bruckhaus Deringer, one of the largest law firms in the world, Kofi Annan, the Secretary-General of the United Nations, and a cohort of executives including the heads of the \$93-billion Canada Pension Plan and the \$190-billion La Caisse de dépôt et placement du Québec, and an increasing number of resource-rich States that are taking matters into their own hands.

What Freshfields did was eliminate any ambiguity about fiduciary duty and the new world order. It stated in black and white that in many cases, fiduciary duty requires (rather than prevents) investors to take into account the social and environmental implications of their investments. That's because in the long term, these factors are often material to the investment's viability. Ask Shell's Nigeria operations how many barrels of oil per day of production have been shut down and why? The answer is 455,000 because local groups living on top of the oil are not benefiting from the wealth—the 70 per cent of them living on less than a \$1/day have had enough.

What Kofi Annan, CPP's David Denison and La Caisse's Henri-Paul Rousseau agreed to at the NYSE ceremony to launch the UN Principles for Responsible Investment this April was best summed up by Annan: "There is a profound convergence between the goals of the UN and financial markets... because if societies fail, so do markets." If this is true in a country like

Canada, it is true a hundred times over in a country like the Democratic Republic of the Congo, which ranked second-worst on *Foreign Policy* magazine's Failed States Index.

It makes sense: if societies fail, so does business. But there is a new reality that sky-high commodity prices have ushered in that I think is a little more scary as it assaults the primacy of the investor in the global market economy. The idea before was: whoever had the money called the shots. The new idea increasingly being articulated by leader after leader on the covers of the *Financial Times* is: whoever has the resources calls the shots.

With the global commodity boom, States (the only actors that can exercise ultimate authority over their land), are starting to assert their authority by scrapping disadvantageous agreements and making deals that give them a bigger share of the spoils (Venezuela, Bolivia, Newfoundland). This will last as long as commodity prices stay high. Companies and most of the financial press are bluffing, saying this hardliner approach will cost the countries in the long term because it will scare away investors. And they could be right if commodity prices come down, which would soften the bulge of resource-rich State coffers and shift the balance of power back to investors. But this could be a risky assumption in a world where the population will grow by half in the next four decades, and commodity supplies are shrinking.

Christophe de Margerie, head of exploration and production at French oil giant Total, sums up this new reality best: "If we think it's good for the country, it's good for the company."

Cheers,
Toby Heaps

Address all correspondence to:

CORPORATE KNIGHTS INC.

215 Spadina Ave., Suite 121

Toronto, ON M5T 2C7

Tel: 416-203-4674 • Fax: 416-979-3936

Email: info@corporateknights.ca

www.corporateknights.ca

Publisher: Karen Kun

Editor-in-Chief: Toby A.A. Heaps

Editor Emeritus: Paul Fengler

Executive Editor: Peter Diplaros

Director of Research: Caroline Law

Editorial Assistants: Mieka Tennant, Claudia Stoicescu

Editorial Intern: Tyler Kirby, Karla Aguilar

Researcher: Gregor Campbell

Administrator: Maria Dalekos

Art Director/Designer: "Mozart"

Copy Editors: Laura Mann, George Kostaki

Business Development Advisor: Jordan Gold

Logo Design: Trish Lasola

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ON THE COVER:

'The Curse of Gold' photo by Marcus Bleasdale © 2006 Artisanal Goldminers in Wasta North Eastern Congo, where two UN soldiers were killed and dismembered last year.



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DEAR KNIGHTS...

send your letters to
info@corporateknights.ca

OUR FAVOURITE LETTER

Would your magazine be interested in doing an article on the terrible consequences of more tar sands extraction and then see if the corporations that pay for your printing will advertise?
—Ross Muirhead

Oh, we will and yes, they will. For now, check out page 30 of this issue to see how the tar sands can go carbon-neutral and still keep the shareholders happy.

I GUESS THAT'S GREEN ENOUGH

Can you tell me the criteria that were used and the scores of the top 10 PMs in deciding that Mulroney was the "greenest?" The comments in this article suggest that he wasn't very green but, alas, greener than the rest.

Paul Smith

We asked Canada's foremost environmentalists: Which PM accomplished the most on the environmental front? Brian's government got things done on acid rain and the Montreal Protocol which make a difference for every Canadian today.

MISSED ONE

I was disappointed that you missed one organization in your 'Friends of the Forest' links. That is the Global Forest Society at www.globalforest.org.

Norman E. Krannitz

EVERYBODY'S AN EXPERT

I was close to filling out the subscription form when I flipped to page 7 [CK 4.4 Forestry Issue] to see if the magazine was using recycled paper since the magazine seemed too, for lack of better word, 'glossy.' I noticed the FSC mixed sources logo which, according to page 35, is not a resounding statement of achievement for a magazine issue such as this, especially when you're in a position to at least deliver an issue that "walks the walk." I would have hoped this issue could have been printed on 100% FSC pure and similar to the CIBC amazingly environmentally friendly annual report as described on page 30. Corporate Knights missed the opportunity to use top quality environmentally friendly materials to produce this issue and hence failed to demonstrate to readers, advertisers, and consumers everywhere that your magazine is a leader in corporate responsibility, and as such, lost credibility with me.

Todd Frisch

Calgary, Alberta

First of all, Todd, we applaud you for your awareness and staunch conscious consumerism. Way to vote with your wallet. However, you should know that 100% FSC pure paper is out of our price range (we re-use our chopsticks here). Our FSC Forestry breakfast of CEOs and Ministers in January helped to spur major switchovers to FSC by several billion-dollar organizations so far, and still counting. As the market quickly grows, prices should come down to a more reasonable level. We hope we can earn your subscription then.

Not to be a rabble rouser or anything but I just finished flipping through your forestry edition and found it interesting but couldn't find any mention of whether the magazine itself was printed on recycled paper or not. Just curious ...

Gordon Wong

Public Affairs Department

Imperial Oil Limited

Notice

In our Vol. 4.4 Forestry Issue, although it was made clear that content in the issue did not necessarily reflect the views of all members of the advisory committee, we would like to take this opportunity to reiterate this fact, and also to advise readers that the advisory committee did not have the opportunity to review the final text before press time.

publisher'snote

by Karen Kun



“What people say, what people do, and what they say they do are entirely different things.”

— Margaret Mead

Often I find allies in the most unusual places. This April, we hosted a gala event to honour Brian Mulroney for being the Greenest Prime Minister in Canadian history. Some long-time readers of CK expressed surprise at this since the former PM does not immediately spring to mind when one thinks of environmental knights. I remind these inquiring minds that environmental issues and

supportive policy for our natural resources should not be diluted by politics. Environmental issues are part of our culture and by recognizing a political leader that made progress on these issues, we are making a bold statement about what we cherish—not what we debate about. We want to push the current government to take a leadership role in genuinely establishing some policy that

takes off from where Mulroney left us. We are not convinced that these are the ambitions of the current government, yet we are hopeful we can play a role in bringing the right people to the table.

Cheers,
Karen Kun, Publisher
karen@corporateknights.ca

LETTERS continued from last page

ALBERTA WISDOM

I am the Communications Manager of the Sustainable Forest Management Network, Networks of Centres of Excellence hosted by the University of Alberta in Edmonton, Alberta. I was quite impressed with the editorial balance between activism and corporate responsibility in your most recent issue.

Marvin Abugov
SFM Network

DON'T PICK ON THE LITTLE GUY

While I welcome your stories about fuel efficient vehicles, I believe there is more to the story—particularly when you cite the Smart Car. Yes, it is very fuel efficient, but

also a tremendous polluter—given its diesel engine. Diesel vehicle emissions have been estimated by authorities in Seattle and other west coast cities to be responsible for about 70% of all air-pollution related cancers.

The Smart Car and other current diesel cars are certified to the same emission levels as many large SUVs, and should not be portrayed as being in the same category as hybrid vehicles such as the Toyota Prius, which is a true Low Emission Vehicle, as well as fuel efficient. In our search to improve fuel economy and reduce greenhouse gas emissions, let's make sure that the cure isn't worse than the disease!

M. Moher

Roger that. Across the pond in Europe, you can get Smart Cars that run on gasoline. Why not

here, too? There is no demand, a Smart Car rep tells us. Maybe because there's no supply.

MARKET INITIATIVES

I am currently in my third year studying Environmental Studies at the University of Victoria. For my final exam in my Political Ecology class, I chose to write a paper on Markets Initiative [www.oldgrowthfree.com.] I was wondering if you have any insight into the effectiveness of Markets Initiative since it seems to be an approach that you would endorse in your magazine.

Evan Wilson

We are members of Markets Initiative, along with J. K. Rawlins (alive and kicking) and Pierre Berton (rest in peace). Because it takes a stand. Old Growth Forests are sacred. Amen.

contributorbios



Peter Diplaros is a financial journalist and investment analyst. He wrote for The Toronto Star, The Globe and Mail, Mutual Fund Review, and Investors Digest. He is the webmaster and chief programmer for fundlibrary.com.

Peter's joys in life include espresso, crosswords and polishing up sloppy editorial submissions.



Caroline Law is the Director of Research at Corporate Knights. She is a McGill University grad with a master's degree in Human Rights from the University of Bologna and the University of Sarajevo. She has worked for various NGOs

and international organizations in the Balkans. She reuses her chopsticks.



Claudia Stoicescu is currently pursuing a Political Science degree and is aiming to one day save the world. For now, Claudia gives her time to writing, to her irreplaceable friends and family, and to aimlessly wandering

through the depths of life. So far, things are looking good.



Mieka Tennant is taking a moment to explore journalism first-hand at Corporate Knights. This fall she will continue her post secondary education on the path to becoming a full-time scribe. When Mieka wants something,

she gets it. It is best to stay on her good side.



Rob Carrick has been the Globe and Mail's personal finance columnist since November 1998. When we saw his article 'Ethical Funds Need More Molson Muscle,' we knew we had to have him in Corporate Knights.



Zoe Cormier is the former science editor at the University of Toronto Varsity. Despite being an environmentalist, Zoe often prints out at least one tree's worth of paper as background research for each article she writes.

TEN WAYS TO... BREAK OUR ADDICTION TO OIL



by Guy Dauncey

1 ADMIT TO THE ADDICTION

An addiction, eh? That's what Mr. Bush says—and he ought to know. Are you unable to manage your daily life without a regular fix of oil to run your car, fuel your flights, ship your goods, and make all the plastic things we seem to need? If your answer is yes, then alas, my friend, you are an oil addict. Step One to break your chronic and debilitating addiction is to admit that you are powerless over oil, and that your life has become unmanageable without it. You—we—also need to acknowledge that the supply of our favorite drug is getting rather expensive, and that according to some (US Army, Energy Department and White House advisors), this “peak oil” thing is rather troubling.
www.peakoil.net

2 UNDERSTAND THE POTENTIAL OF SUSTAINABLE ENERGY

The world has an enormous supply of wind, solar, and tidal energy, bio-wastes, and other forms of trustworthy energy, made by Nature herself. With sustainable electricity, we can run smart electric vehicles, and hydrogen-enhanced, plug-in gas-electric hybrid vehicles that use biofuels for the small amount of liquid they need.
www.bcsea.org

3 MAKE THE COMMITMENT TO SEEK ENERGY ELSEWHERE

Make the decision to turn our lives over to more sustainable forms of energy. California has said that it will reduce its greenhouse gases by 80% by 2050. The New England state governors have said 75% by 2050. Brave Sweden has said that it will end its dependency on fossil fuels by 2020. We must also set goals to achieve far greater levels of energy efficiency in our vehicles, homes, buildings and appliances. Without goals, as

any corporate leader knows, nothing happens.
www.climatechange.ca.gov

4 DO AN ENERGY AUDIT

Make a searching and fearless inventory of our energy needs and possibilities. How much energy do you use in your home, business, or college? Do an audit. List where it comes from, and what it is costing you. Plot a graph that shows what your addiction will cost you in five, ten, or fifteen years, based on the likely rise in the price of oil and gas.
www.energybulletin.net/4793.html

5 ADMIT TO THE HARM THAT OUR ADDICTION HAS CAUSED

Come clean about the hurt, harm, and damage that our addiction has caused. The list is long. Has your country broken into countries in its desperation to get its fix? Has the company whose oil you use stolen land from native people in its desperation to find oil injection sites? What about all the children who lie in hospital beds suffocating from asthma, triggered by the smog that our addiction creates? What about future victims of global climate change, caused by our addiction? What about the tens of millions of people who will be forced to flee their homelands, as global sea levels rise? What about New Orleans? According to James Hansen of NASA, the last time the world's temperature was three degrees higher, the sea levels were 25 metres higher.
www.climateark.org

6 ADDRESS THE WEAKNESSES THAT KEEP US ADDICTED

Admit to the weaknesses and shortcomings that keep us addicted, and seek to overcome them. The wily tax deals that give oil companies such a break. The lure of cheap, easy oil. The thrill of fast driving on an open

road! And seek to overcome them. That means accepting the need for carbon taxes, and environmental tax-shifting to pay for clean-up, instead of pretending the damage isn't happening. It means introducing tax incentives and policies that will help the transition to sustainable energy. It means recognizing that it is long past the time for a windfall tax on the oil dealers' profits of \$8 billion dollars a quarter (\$3.6 million dollars an hour), that keep them drilling for more.

www.earthfuture.com/stormyweather

7 WORK WITH BUSINESSES, CITIES, AND NATIONS

Make a list of all the people we have harmed, and make amends to them. It's a long list, so we'd better join hands and make a shared commitment to work together to overcome our addiction. The world already has the Kyoto accord, cursed and maligned by unrepentant addicts everywhere. We need to strengthen the treaty, and establish new, stronger goals for the future. We need to persuade everyone to come on board, even those nations which are just beginning their addiction. We need cities to link hands and work to overcome their addiction, as 210 cities in the USA have done, following Seattle's lead. We need businesses to form “end the addiction” clubs, where CEOs work together to reduce their emissions.
www.theclimategroup.org

8 BECOME CARBON NEUTRAL

Continue to take a personal inventory of our conduct, and when we are wrong, to promptly admit it. This means tracking our carbon emissions, and taking steps not only to reduce them, but also to offset them by purchasing carbon offset projects. Becoming carbon neutral is

an important step on the road to full recovery.

www.self.org/cnc.asp
www.thehcf.org

9 INVOLVE YOUR FRIENDS AND COMMUNITY

Seek through prayer and meditation to improve our conscious contact with sustainable energy, and ask for the power to implement our goals. (See Step 3). This becomes easier if we involve our friends and family, our fellow companies, and nearby cities and communities. This way, we can make joint investments in cycle-paths, transit systems, co-operatively owned wind turbines, and changed building codes, making it easier to kick the habit.

www.pembina.org

10 PUSH FOR POLITICAL CHANGE

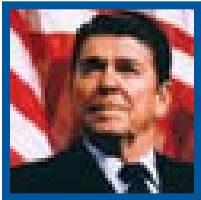
Realizing the power of sustainable energy, carry the message to other oilaholics, and to practice oil reduction in all our affairs. For this we need to engage ourselves politically, and push our political leaders in Victoria, Quebec, Halifax, or Ottawa to introduce new legislation, and sustainable policies such as Ontario's new Advanced Renewable Tariff, which guarantees the right of small producers of wind, biomass, small hydro and solar energy to have access to the grid at a supported, long-term price. We need to help everyone to give up their addiction, so that the whole world can breathe more easily, no longer driven by the desperate quest for the next barrel.

www.wind-works.org/articles/feed_laws.html

Guy Dauncey is author of *Stormy Weather: 101 Solutions to Global Climate Change* (New Society Publishers) www.earthfuture.com

SEE BLUE GO GREEN

A COUPLE OF REASONS WHY PEOPLE MAY THINK CONSERVATIVES ARE NOT CONSERVATIONISTS



*“Trees cause more pollution than automobiles do.” **

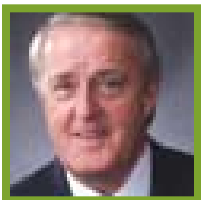
—Ronald Reagan, 1981



“My science is limited to the fact that eons ago there was an ice age. I know that. I also know that the Arctic was once covered by tundra and I guess it makes me wonder why. Was it dinosaur farts? I don’t know.”

—Ralph Klein, 2002

A COUPLE OF CONSERVATIVES WHO CONSERVED:



“When you get to my age, after you’ve been Prime Minister for a long time, you look back on certain things and you say ‘Aw, Jesus, how could I be so stupid? Why did I do this when I should’ve done that.’ I don’t feel that way about the environment. I think

there are a lot of things we missed, but I think we did a lot of the big things that we should have. And I’m glad we did.”

—Brian Mulroney

“A nation that destroys its soils destroys itself. Forests are the lungs of our land, purifying the air and giving fresh strength to our people.”

—Teddy Roosevelt



Teddy Roosevelt protected 230 million acres of national land including 150 national forests.

Mulroney led the fight against acid rain, made Canada the first industrialized country to ratify the United Nations Framework Convention on Climate Change and the Montreal Protocol, and brought in significant new national parks.

WHY IT MAKES SENSE FOR CONSERVATIVES TO CONSERVE:

Nothing is more conservative than conservation. Conservation is prudent, frugal, and efficient.

* The Gipper was not totally off his rocker. In hot weather, trees (especially deciduous trees) release volatile organic hydrocarbons including terpenes and isoprenes—two molecules linked to photochemical smog. However, this is small relative to the effects of automobile emissions.

www.greenbudget.ca

FIVE PRIORITIES FOR HOW CANADA’S CONSERVATIVES CAN CONSERVE TODAY:

- 1. Eliminate subsidies for the oil and gas industry:** Could save about \$1.4 billion annually. The time to take out the green scissors is when the industry can afford to make the adjustment. That time is now.
- 2. Toxics out and cancer down:** Ensure action plan is ready to go on September 14, 2006, which will be a significant day in the history of pollution policy in Canada: Environment Canada’s deadline for completing the categorization of 23,000-plus pollutants. Make action plan tackle the top 200 carcinogenic pollutants for eventual elimination.
- 3. Clean Air Act:** Sensible air quality standards to protect health first and economy second. Make Quebec—a clean-air leader in Canada—a special partner. Cut smog days in urban centres by half in next half-decade. Make the natural connection between clean air and climate change. Legitimize the post-2012 Kyoto Protocol by pushing for per-capita emissions target caps (one tonne per person, phased in). Harness the Protocol’s integral carbon trading market mechanisms, which require hard caps.
- 4. Drinking Water Safety Act:** Proposed but not adopted by the Mulroney government. Water doesn’t stop flowing at provincial borders and the feds already regulate bottled water, so objections based on provincial jurisdiction simply don’t hold water.
- 5. Balanced Budget Act for Canada’s natural capital:** The National Roundtable on the Environment and the Economy, a conservative government creation, has already outlined five important national natural capital indicators (forest cover, freshwater quality, air quality, greenhouse gas emissions, extent of wetlands). Step one is to determine our sustainable allowance for each indicator; step two is to make sure we don’t overspend.

Advice for Stephen Harper?

“I think every Conservative leader has to deal with this in his own way. [...] I believe that [conservation] is a very important part of our political heritage. The Conservatives over the years have done a great deal, from Sir John A, to Diefenbaker, and others. But this part is leader-driven. Because the leader has to make choices. There are so many demands on your time, on your resources, and on the prestige of the government. So the question is: Where does the Prime Minister allocate and commit those resources and time? I think the [Canadian] government has to reposition environment on top of their national and international priorities.”

—Rt. Hon. Brian Mulroney

Dofasco enters the Arcelor family. This is very good news.



Both companies are part of the Dow Jones Sustainability Index. Arcelor is the only steelmaker listed in the Global 100 Most Sustainable Corporations in the World. Arcelor and Dofasco are proud to share the same commitment to sustainable development and they will keep carrying out the right job in terms of environmental-friendly development, employees' welfare and community involvement.

Steel solutions for man and earth.

A confession: I am a closet fashionista but I don't fancy walking around in gorgeous Prada—my conscience demands more. And I can get more, too. There are plenty of fashion designers who care, who produce responsible clothing and accessories, and Corporate Knights has found the pick of the crop. Here are our top 10 chic sustainable fashion lines for people who care about looking good, feeling good and helping to make a difference.

Buying from these ten clothing companies makes a statement beyond fashion. The apparel industry cannot ignore the concerns of an increasingly aware buying public. Ask Nike. Ask The GAP. Even Wal-Mart is introducing organic fashion (even though their motive may be to make more money by following a trend). But these 10 companies in this report have been producing clothing responsibly right from the start. Patagonia was one of the first to introduce organic cotton, and in 1996 spent \$19 million to create a service centre with radiant heating using copper tubing and hot water, recycled materials for insulation, windows and countertops, and reclaimed or sustainably harvested wood.

So if you are one of those who think organic fashion means baggy hemp clothing, prepare to be amazed. We have chosen these 10 companies based on their conscientious innovation and craft, but all the labels represent beautiful clothing and accessories, period. The fact that the companies are sustainable and run in an environmentally responsible manner is just as important, but it is not what has made them successful. People no longer have to compromise their beliefs to shop.

But let there be a small amount of criticism, too. Lululemon is trendy, perhaps a little bit too trendy. American Apparel shamelessly uses the slogan “sex sells” in their fashion spreads, showing scantily clad girls or guys engaging in crotch-grabbing. But more importantly, although Matt and Nat products are animal friendly, there is controversy regarding the plastic that is used to make fake leather. Greenpeace claims the polyvinyl chloride (PVC) which is a principal component of pleather is the most damaging plastic in the world. PETA (People for the Ethical Treatment of Animals) maintains their stand that pleather is less harmful and the more socially responsible choice.

Without further ado: lights, fashion, runway.

CHIC SUSTAINABILITY

The top 10 clothing lines that make a statement



English Retreads

English Retreads creatively designs purses and bags from recycled truck and tractor inner tubes. Bags range from a classic black tote to a backpack. It's hard to believe that these fashionable handbags were once an inner tube rolling around in the mud.

Heather English, the founder and designer of English Retreads, was inspired by an inner tube she used to float along the Colorado River. At times she has had to rummage through dumpsters to rescue tires from landfills to make her bags. Heather ensures the assembly process carries out her eco-responsibility right down to an environmentally friendly degreaser.

BEST BARGAIN
Seat belt **\$24 US**

TOP PICK
Bentley Bag **\$124 US**

Import only.
www.englishretreads.com

American Apparel

American Apparel is for the über cool to the plainly sophisticated. Quality basics; most items can be layered, and are offered in an array of colours. American Apparel allows you to stock up on an assortment of items that can give you a variety of looks. It also uses organic cotton for baby hats, underwear and plenty of t-shirt styles.

Founder Dov Charney says the key to the company's success is a high standard of quality—quality that is produced and maintained in their large pink factory, situated in Downtown LA. The most impressive measure Charney takes to maintain high quality is in the treatment of his employees. The company states that they see their workers as investments. They can earn anywhere from \$9 to \$18 an hour depending on the position and seniority. Workers also have access to company-subsidized health insurance for themselves, their spouse, and children; the cost is \$8 per week and \$1-\$3 per child. To assist with transportation, bus passes are subsidized and a bike lending program is also available to every employee; included is a bike, helmet, and a lock.

BEST BARGAIN

Sustainable edition fine jersey t-shirt with green contrast tape **\$17**

TOP PICK

Sheer Jersey Bandeau dress in forest **\$38**



Currently there are 20 locations throughout Canada and over 70 stores worldwide.

www.americanapparel.net

Matt and Nat

Matt and Nat sell responsible, stylish bags that are great additions to any outfit. Their bags, wallets and recently launched footwear are designed using vegan friendly faux leather, famously labelled pleather. They have a wide selection of styles from their tartan doggy carrier, Bouton bow wow, to the utilitarian Trinity boot.

Inder Bedi has been committed to designing stylish vegan hand bags since 1997 when he founded Via Vegan under the logo Matt and Nat. In addition to producing cruelty-free accessories, Matt and Nat is also committed to keeping prices at an affordable level.

BEST BARGAIN

Positivity pouch **\$7.50**

TOP PICK

Boston Bag **\$115**



Sold at over 92 locations throughout Canada. Satchel Shops, Sterling Shoes, Joneve (Vancouver); Write Impressions, Caban, Heel Boy (Toronto); Style Exchange, Marritz, Bubbles (Montreal).

www.mattandnat.com

OQOQO

From the mastermind behind Lululemon comes a more street-friendly line, OQOQO. It's pronounced oh-ko-ko and the line is solely made with organic materials. Similar to Lululemon, the pieces are for casual wear but have an edgy, yet polished and put-together quality to them.

Chip Wilson, founder of Lululemon, created OQOQO after three years of requests from customers for an organic clothing line. He spent close to a million dollars researching natural fabrics, finding out where to get them, and how to make them in a way that people will actually want to wear them.

BEST BARGAIN

Balla racer tank **\$38**

TOP PICK

Renew dirt dress, reversible, can be a dress, a skirt, or a shirt **\$78**



At the moment OQOQO is exclusively sold in Vancouver and Victoria although I have no doubt it will follow in its sister's footsteps. Keep a lookout for it.

www.oqoqo.com

"I don't get a big thrill out of saying I'm sustainable or socially responsible, because it doesn't make any sense to me how you would be in business without doing that."

— Chip Wilson

Lululemon

Lululemon is designed with the athlete in mind. Before Lululemon opened in 1998, there were few athletic clothing companies that were producing designs which were versatile and attractive. Lululemon is clothing you want to wear working out and then out to lunch—or maybe just out to lunch. Lululemon clothing feels great and compliments all body shapes.

Lululemon takes responsibility for their business; their five-year vision consists of six sections (shown in detail on their website) including efficiency and waste reduction as well as green building and spaces. Lululemon's five-year plan is ambitious, but their core mission and values are genuine and hopeful.

BEST BARGAIN
Head band **\$7.50**

TOP PICK
Scuba Lulu Hoodie **\$86**



Sold at 26 stores throughout Canada.

www.lululemon.com

Twice Shy

Twice Shy exploded on the fashion scene after NBA All-Star Steve Nash wore one of their t-shirts (“No war, shoot for peace”) at an All-Star weekend press conference. Their line of clothing, made with organic materials, is playful and witty. This spring they are introducing undergarments, woven fabrics, denim and a children's line labelled FIG.

Friends Michael Ziff and Jen MacCormack work side-by-side to create this unique, trendy line. Whether they choose to design a shirt that states “evolution is not a spectator sport” or a stylish wrap dress, they do it thoughtfully. They are unafraid to address taboo or controversial subjects.

BEST BARGAIN
Black superman t-shirt **\$55**

TOP PICK
Organic wrap dress **\$88**



Sold at boutiques around the world. Prices differ from store to store.
Lark, Mooncruise, Raya (Vancouver), Fraiche, Trixie (Toronto).

www.twice-shy.com

“We like to think of ourselves as urban hippies; the aesthetic for hippie sensibilities are there.”

— Michael Ziff

Loomstate

Loomstate is a high-end jean and t-shirt company. The jeans, sweaters, and jackets are made from 100 per cent organic cotton. The men's line carries some great woven button-up shirts and the women's prints are unique.

Rogan Gregory, a co-founder of Loomstate, is dedicated to creating responsible and fashionable clothing. He also happens to be the designer for Edun. Loomstate's mission involves seeing denim as a tool for change. Their belief is that if they prove to be profitable while practicing environmentally responsible business, they can influence other companies to do the same.

BEST BARGAIN
Women's crew neck t-shirt **\$65**

TOP PICK
Men's mission jeans (calm) **\$195**



Sold at boutiques throughout Canada.
FAB, Brooklyn, Plenty (Vancouver), TNT, Holt Renfrew, Over the Rainbow (Toronto), James, UANDI (Montreal).

www.loomstate.net

“It's only a matter of time before the consumer will be concerned about the origin and story of what they consume.”

— Rogan Gregory

The Green Loop

Green Loop is about choices—an online directory with a variety of labels, 25 and growing. There are casual t-shirts and sweaters, as well as trendy, dressier pieces.

Founder Aysia Wright believes it's important to offer resources for people to make responsible decisions so they do not have to compromise their personal style. All the clothing Green Loop represents is organic and manufactured responsibly.

BEST BARGAIN
Conscious T **\$35**

TOP PICK
Recycled wrap skirt by Undesigned **\$164**



Import only.

www.thegreenloop.com

“There’s a vision when people say organic cotton and hemp. But there has also been change. It’s exciting the things that are happening.”
— Aysia Wright

Patagonia

Patagonia is a sports lover’s fantasy, whether you enjoy Alpine climbing or snowboarding. Online you can search clothing by your choice of eleven different sports, including paddling, yoga, trail running and fly fishing. Since 1996, Patagonia has ensured that all cotton items are 100 per cent organic. They also use recycled polyester and shell fabrics.

The company’s service centre in Reno was built in 1996, costing \$19 million. They installed a radiant heating system that uses copper tubing and hot water; the windows, insulation and restroom countertops all use recycled material; all the wood used is reclaimed or sustainably harvested.

BEST BARGAIN
M’s Capilene Briefs **\$25**

TOP PICK
Men’s storm Jacket made from 100 per cent recycled polyester **\$399**



Sold at sporting stores across Canada
Eco outdoors, Fibre Options (Vancouver).
Europe Bound, Sporting life (Toronto).
Le Yeti, Altitude Sports Plein Air (Montreal).

www.patagonia.com

Edun

Edun (nude backwards) offers a naturally chic look to the customer who is willing to pay for it. Edun’s clothing is pure and undone. The men’s line is earthy and fairly casual, while the women’s line offers a number of soft and feminine pieces. The entire line has a high-quality, low-effort type of look.



Edun represents an important mission. The company was founded by Ali Hewson and Bono. Their mission is to shift the focus away from aid to trade in developing countries. Edun has factories in Africa, South America, and India. Job opportunities stay where they are needed most.

BEST BARGAIN
The Story Tee, organic cotton crewneck with sword print on front **\$125**

TOP PICK
Aubergine wrap sweater **\$415**

Sold exclusively at Holt Renfrew and TNT in Canada.

www.edun.ie

BOLD FILMS

Hollywood shows a social conscience

Corporate ethics. Racism. Gay rights.

Add international terrorism and Big Oil to the list and you'd think you stumbled upon a crowded lefty convention chaired by Noam Chomsky.

In reality, these are some of the moral and political bombs that drew us to the multiplex last year. With bold pictures like Fernando Meirelles's *The Constant Gardener*, Paul Haggis's *Crash*, and Ang Lee's *Brokeback Mountain*, social critique is not only spilling into mainstream entertainment; it's also making a splash. Heavy issues dominated the 2006 Academy Awards more lavishly than the usual Vera Wang taffeta gown or pink Versace diamonds. All five of the best picture and the best director Oscar nominees and many of the films in the other major categories offer saucy, provocative alternatives to the cautious sap of past years. 2005 was the year of sophisticated, serious films with a blatant social message that would have been considered too edgy for conventional audiences a few years ago. Did Hollywood slide over to the left?

The reels are rolling pictures that matter because people are ready. The highly politicized social environment of a post-9/11 world has heightened our awareness of interdependence (or for some, domination and dependence).

But the trend also mirrors a growing social need. A large portion of the public rummages for meaning in the traditional cultural reservoir: the cinema.

What Hollywood has done flawlessly is to deliver. After all, entertainment's value lies in entertaining. But given the sway it holds on public opinion and debate, it also has a responsibility to do more than tell a good story. Telling weighty, current, and controversial stories makes for significantly deeper discussions and for this, too, Hollywood may pat itself on the shoulder.



THE CONSTANT GARDENER

Love. At any cost.

Directed by Fernando Meirelles

Plot: A stalwart British diplomat (Ralph Fiennes) weaves through a corrupt network of stale government policies and exploitative multinational practices as he investigates the murder of his young activist wife (Rachel Weisz). He gradually uncovers the connection between her research and sinister death and the unethical experiments performed on an unknowing Kenyan populace by giant Western pharmaceuticals looking to get a flawed tuberculosis vaccine's trials approved.

Best Part: Rachel Weisz's uncompromising Oscar-winning performance of a dedicated activist willing to sacrifice anything for justice and truth.

Bottom Line: The neo-colonial exploitation of Third World countries with often-complicit and corrupt government elite is real and pressing. The film is a political treatise with the hopeful message that although it's hard to know who to blame these days, it's worth it to fight.

SYRIANA

Everything is connected.

Directed by Stephen Gaghan

Plot: Like the Oscar-winning *Traffic*, also written by Gaghan, *Syriana* employs a multi-episodic style, this time to intertwine and layer the stories of several characters acting within a global nexus of Western (American) oil interests in the Middle East, corporate greed, radical Islam, and pandemic corruption. By the end, the lives of an undercover CIA agent (George Clooney), a destitute Pakistani oil field worker (Mazhar Munir), an oil broker (Matt Damon) turned Senior Advisor to a reformist Prince (Alexander Siddiq), a younger US-puppet prince (Amr Waked), and a morally-torn Washington lawyer (Jeffrey Wright), intersect, pointing to the greater social and political ills they live under and play a role in.

Best Part: The layered plotline avoids the narrative cliché of constructing outright heroes and villains, allowing the all-pervasive, blunt social critique of global antagonisms and abuse to triumph.

Bottom Line: We are all in deep trouble and the horizon looks bleak.



NORTH COUNTRY

All she wanted was to make a living. Instead she made history.

Directed by Niki Caro

Plot: Set in 1989, in a northern Minnesota mining town, the film tells the encouraging story of Josey Aimes (Charlize Theron), a woman miner in a male-dominated labour force who attempts to stave off sexual advances and intimidation by organizing a sexual harassment class-action suit against the company. Her battle, based on a true story, leads to the first major successful sexual harassment case in the United States.

Best Part: The deep emotional impact of the scenes where Aimes's father, her female co-workers, one of her abusers, and others dare to change their attitude and stand up for justice.

Bottom Line: The struggle for women's labour rights is sweaty, lonely, and far from over.

CRASH

You think you know who you are. You have no idea.

Directed by Paul Haggis

Plot: An array of characters from all walks of life and racial backgrounds bump into one another repeatedly in the Los Angeles melting pot, butcher each other with verbal daggers of the sharpest kind, and kick about endlessly in a quicksand of trouble. The film is charged and loud, its webbed plotline eventually meshing together somewhere in the middle, not ending with a sentimental bear hug, but making a witty step toward admitting a common existence.

Best Part: The film's lack of bias and judgment



of each character's story makes for a multi-faceted, intelligent look at race. As *The New Yorker* film critic David Denby puts it, the film reveals something we often overlook: "a racist can also be a good son and a good cop."

Bottom Line: As the world shrinks, it becomes vital to root out intolerance. *Crash* nods to the possibility that hateful behaviour can be altered if we at least admit to it.



CAPOTE

Directed by Bennett Miller

Plot: Essentially a giant, wagging index finger of a film about a writer whose story becomes himself, *Capote* delves into the ambiguity of journalistic ethics and the even more ambiguous relationship between journalism and art. It tells of Truman Capote's (Phillip Seymour Hoffman) strange, tragic, and destructively personal investigation and exploitation of a 1959 Kansas murder for *The New Yorker* and the lies the author tells to appease the editor's appeals. After several agonizing years, it leads to Capote's writing of the brilliant non-fiction novel "In Cold Blood," the book that made him one of the richest and most famous writers in America—and



inevitably led to his demise.

Best Part: Hoffman's Oscar-winning performance as Capote—a contradiction with a knife-sharpened voice and a feverish intensity that wow the viewer as much as his select Manhattan listeners.

Bottom Line: Beware the fame and success-at-any-cost trend which began with Capote and now parasitically contaminates the literary and journalistic world.

MUNICH

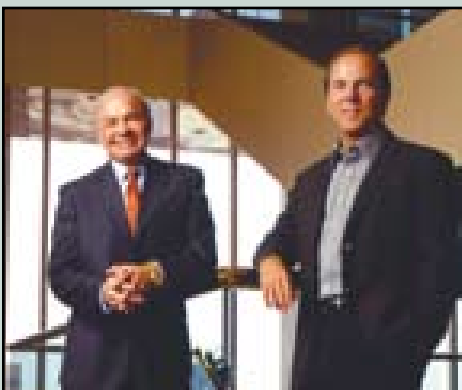
The world was watching in 1972 as 11 Israeli athletes were murdered at the Munich Olympics. This is the story of what happened next.

Directed by Steven Spielberg

Plot: Following the horrific murders of 11 Israeli athletes at the 1972 Olympics by a Palestinian terrorist group known as Black September, Israel assembles a counter-terrorist team led by ex-Mossad agent Avner (Eric Bana) to seek cold-blooded vengeance. The violence that drenches the film is snipped at by flashes of moral reservations that reveal the dilemma, folly, and cyclically agonizing nature of international terrorism.

Best Part: The quivering human sense of morality most vividly revealed when Avner is faced with killing another human being.

Bottom Line: *New York Times* reviewer Manohla Dargis captured it beautifully when she wrote that "dialogue ends when two enemies, held hostage by dusty history and hot blood, have their hands locked around each other's throats. You can't hold your children with your hands so occupied, though evidently, you can send them off to war."



DOCUMENTARY CATEGORY | ENRON: THE SMARTEST GUYS IN THE ROOM

It's Just Business.

Directed by Alex Gibney

Plot: By a spooky fusion of Shakespearean tragedy and Michael Moorean visual irony, 'Enron' narrates the fraudulent and complicated multi-million dollar tricks that led to rise, and ultimately, the swift demise of America's seventh largest company. This highly entertaining and shocking documentary makes witty use of news footage, insider audio recordings, interviews with employees, re-enactments, and corporate video to show how truly appalling the truth can be.

Best Part: The chilling revelation that California's tragic energy crisis was knowingly and maliciously orchestrated by Enron traders in order to drive up the electricity price ninefold.

Bottom Line: Regardless of your political stripe, this film will make you furious.



LORD OF WAR

The first and most important rule of gun-running is: never get shot with your own merchandise.

Directed by Andrew Nichols

Plot: Through an almost-continuous first-person voiceover, the film pursues Yuri Orlov (Nicholas Cage), a flippant free-marketeer in arms dealing, as he entangles himself with war lords, dictators, and rival gun-dealers. The plot is thickly interspersed with statistics, which act as instructive tools in the film's purpose of raising awareness about the international weapons trade.

Best Part: Stunning visual sequences, such as the opening tour de force that trails the journey of a bullet from its manufacture in an ammunition factory assembly line, on through numerous pairs of hands, and straight into the head of a young African victim.

Bottom Line: The network of international arms-dealing is not only terrifying, considering its migraine-inducing complexity, but it is orchestrated by some of the topmost officials in the corridors of the UN Security Council.



GOOD NIGHT, AND GOOD LUCK

We will not walk in fear of one another.

Directed by George Clooney

Plot: During the early days of broadcast journalism in 1950s America, legendary journalist Edward R. Murrow (David Strathairn) and his team of producers were the first to criticize and unveil Senator Joseph McCarthy's fear-mongering and unconstitutional tactics during his anti-communist witch hunt. The real-life account traces the journalist's struggle with McCarthy and their daring push for freedom and the truth, while discovering the advantages and dangers of the new and powerful frontier.

Best Part: Clooney's decision to use actual footage of McCarthy's speeches and shoot the film in lustrous black-and-white for a genuine 1950s feel.

Bottom Line: In showcasing an extraordinary and courageous turning point in the role of the media as defender of true freedom of expression, the film implicitly charges its flabbier, contemporary counterpart for falling in line too easily.



BROKEBACK MOUNTAIN

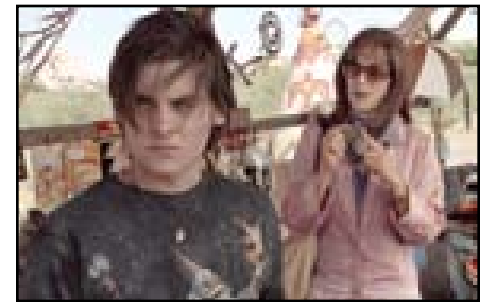
Love is a force of nature.

Directed by Ang Lee

Plot: Set in the remote American midwest, the home of dry, vast vistas and macho cowboys, Brokeback gained a reputation for controversy simply because its two ill-fated lovers (Jake Gyllenhaal and Heath Ledger) are men—and cowboys. Essentially, it is a typical love story of desire, hopelessness, and despair between two men whose lives and whose societies won't allow them to be happy.

Best Part: The breathtakingly passionate performances of the protagonists, specifically that of Heath Ledger as the grave, electrifying Ennis del Mar.

Bottom Line: The originality of Brokeback Mountain's approach lies not only in that it develops a same-sex relationship, but that it does so in a humane way, indirectly implying that it is the homophobic social constraint that often stands as an obstacle to their fully-realized happiness.



TRANSAMERICA

Life is more than the sum of its parts.

Directed by Duncan Tucker

Plot: Bree (Felicity Huffman), a man-to-woman transsexual about to undergo her final sex-change surgery, is contacted from jail by a rebel of a son she's never known, and pressured by her therapist to face up to her past and travel from California to New York to deal with his legal problems. The slapdash brew of characters they meet on the road highlights and exposes their sexual and societal desires, needs, insecurities, and ultimately, similarities.

Best Part: The guarded smoothness with which Huffman pulls off an ambiguous femininity. She's at her best during her brief flirtatious encounter with a Navajo rancher (Graham Greene) who truly sees her for who she is.

Bottom Line: We must come to terms with challenges of gender stereotypes and realize that masculinity and femininity are two simultaneous parts of being human. **CK**

Claudia Stoicescu is a columnist at Corporate Knights magazine.

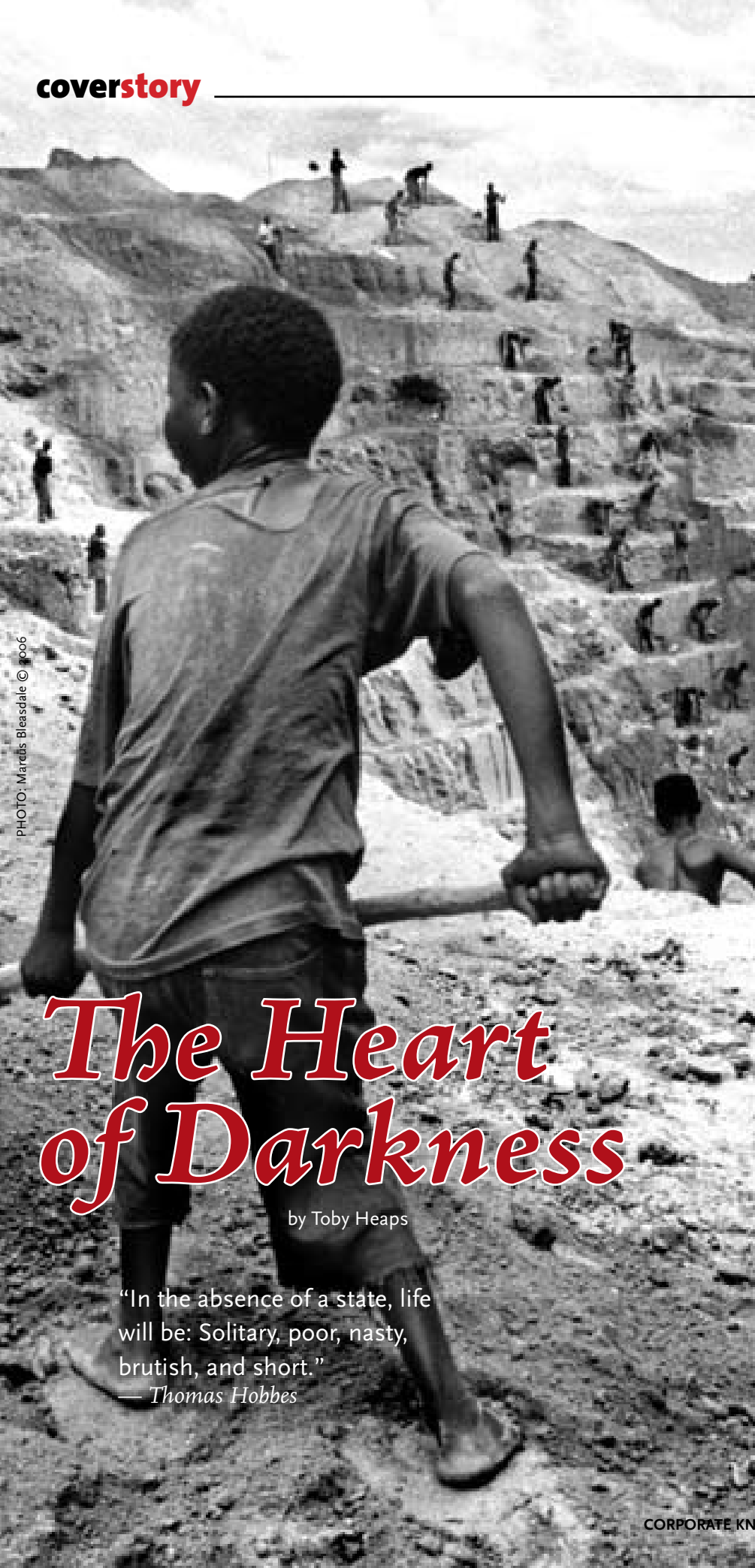


PHOTO: Marcus Bleasdale © 2006

The Heart of Darkness

by Toby Heaps

“In the absence of a state, life will be: Solitary, poor, nasty, brutish, and short.”
— Thomas Hobbes

There are three things the Congo made me realize. The land that inspired Joseph Conrad’s *Heart of Darkness* is the proving grounds for a new type of business deal where Canadian corporations enter joint ventures with rebel leaders, shareholders, and bankers to cast new States; the new UN is here and the gloves are off; and many of the raw materials for our PlayStations, cell phones and hybrid cars come from the mines set up and protected by the above two.

His official title—let’s call him Gerald—was “interpreter for the UN.” No doubt his happy-go-lucky demeanor and language ability had served me well as we ferreted through the web of gold traders to find the glass-eyed man who ran the racket in a stall in Bunia, a small town with a dirt road running up its middle in the north-east of the Congo. Only three years ago, the town had been overrun by child soldiers pumped up on drugs, dressed up in wigs, and wearing makeup unloading their machine guns on innocents in an act of wanton destruction.

Now we are sipping the local Primus lager at the main watering hole, the Hellenica (strangely, many of the hippest spots in the Congo have Greek origins). Gerald, looking around to make sure no one is within earshot, lowers his voice and tells me what his real job is. “Tomorrow, I am going undercover. I will fly to Kisingani and then infiltrate the rebel groups to the Northeast. I have two weeks to gather information and then I come back here to write up my report.”

“What kind of information?” I ask. He rattles off the headings of what I imagine will be a crisp 12-page report in 10-point

font, three weeks from now: “How many soldiers they have, quantity and types of weapons, ammunition supplies, strength and structure of supply chain to replenish resources, and the group’s main leaders.”

The area where Gerald is going to perform this advance reconnaissance for a planned UN/National Army offensive is a bit of a no-man’s land, the kind of place where people eat the private parts of their enemies and where humanity has almost no value. “What happens if they catch you?” I ask. Without missing a beat, Gerald looks me in the eye and shrugs. “They will eat me.”

I tell him I hope at least he is being well-paid for his efforts. Gerald swears for the first time all day. “They pay me fuck-all,” he says. “Three hundred bucks a month. These internationals, they make five or six thousand a month. If I make a mistake in my report, the UN will get ambushed.”

In February 2005, a rebel group ambushed a patrolling UN contingent killing nine Bangladeshi blue helmets. Shortly after, the UN hit back, launching a sustained attack complete with artillery support: razing a marketplace in the stronghold of the guilty rebel group, and taking out at least a dozen civilians in the process. Afterwards, they [the rebel groups] knew to “take the UN seriously,” Sharou Sharif, Director of Office at the UN Mission in Bunia tells me.

“It’s absolutely impossible to think you can do business here without building government.”—Francois Grignon, UN

In a post-Rwanda climate, the UN is locked and loaded and, armed with a Chapter 7 mandate, the Congo mission is playing for keeps, taking part in aggressive military offensives to wipe out belligerent rebels who refuse to sign onto the peace process. And it seems to be working—with 17,000 troops on the ground and a ramping up of the Congolese National Army, the Congo is now an oasis of peace compared to the free-for-all that existed less than a few years prior. The Congo, if nothing else, is a testament to the power of the international community to fix or contain a mess when it wants to. It’s not cheap—costing over a billion dollars a year—nor for the faint-hearted.

“Why is Canada the only country where you can raise funds for the Congo?”—Michael La Simba, country manager, Citibank, Democratic Republic of the Congo

I am sitting in Michael La Simba’s air-conditioned office in the heart of Kinshasa. La Simba is telling me about his plans to launch a National Mining Commission composed of leading international mining companies to act as a common front for communications with the government to improve governance and transparency in the mining sector. He’s a man who’s comfortable with his facts: he had an answer to every question I asked. How much mineral wealth, back-of-the-envelope calculation, is under the Congo? He says, twenty-four trillion dollars. Now he wants an answer from me: why Canada, indeed? I take a stab using common sense. “Most people don’t know it, but over half of all global mining operations raise their capital on the Toronto Stock Exchange. Bay Street is where you go if you want money to mine—anywhere.” He doesn’t seem convinced, although he does nod pensively.

I find out later that Canada’s involvement in the Congo all started in Newfoundland and Labrador. More than ten years ago, a little company named Diamond Fields International found a motherlode of nickel in Voisey’s Bay, sparking off a bidding war which ultimately saw Inco Limited win the opportunity to fork over \$4.3 billion to Diamond Fields for the rights. The two big winners in this deal were Diamond Fields’ Robert Friedland and Jean-Raymond Boule. While Mr. Friedland put most of his money to work in Asia, including Mongolia with his Ivanhoe companies, Mr. Boule’s money headed straight to the Congo. He hooked up with Laurent Kabila, a rebel on his way to taking the presidency of the Congo for himself. Mr. Boule’s company, TSX-listed American Mineral Fields,

Inc. (AMFI), made a seminal deal: fund a revolution in return for lucrative mineral concessions and a business-friendly government.

The world’s financiers needed certain assurances. A week before Laurent Kabila was to take over the capital, Mr. Boule flew in a group of bankers representing outfits like CIBC Wood Gundy and Goldman Sachs in order to kick the tires of the incoming new regime and convince themselves of the Congo’s new openness to foreign investment after a long winter under Mobutu’s failed kleptocracy. I guess the bankers were satisfied because a week later an AMFI plane landed Laurent Kabila onto his new runway in Kinshasa.

“Here it is possible to make plenty of money for the company and to make plenty of money for the country, but there is no political will.”—Marcel Yabali, mining lawyer, Lubumbashi, Democratic Republic of the Congo

The Congo needs the world. There have been recent outcries to boycott the Sudan from social investor guru Peter Kinder. The idea is that there are some places where investors should not go. Vince Borg, Vice President at Barrick Gold, explains: “We were there [Congo] briefly and then got out, because it was not the kind of place where we could operate responsibly.”

Many other Canadian companies stuck it out, while new ones joined the fray; mostly junior types or the kinds of companies without multi-billion-dollar reputations to lose.

Inside the Canadian Embassy in Kinshasa, Stephen Randall tells me: “You can see good things that happen with mining operations, and [you can also see] pure evil.” State-building, for instance. There are almost no road links, no power lines, no infrastructure. The presence of the miners is insurance to keep the international community involved, particularly World Bank loans and UN troops on the ground.

The Congo also has a new Mining Code since 2003, which is generally well received as a fair deal for all, with a tax on profits of 30 per cent and royalty of 2.5 per cent on precious metals. The catch is, many of the



ANOTHER CANADIAN CONNECTION

Joe Clark was in the Congo in 1997 to give advice to President Laurent Kabila and to offer services to Canadian mining companies.

companies under the new Mining Code have holding companies in tax havens, as well as operating control, making it easy to hide profits offshore.

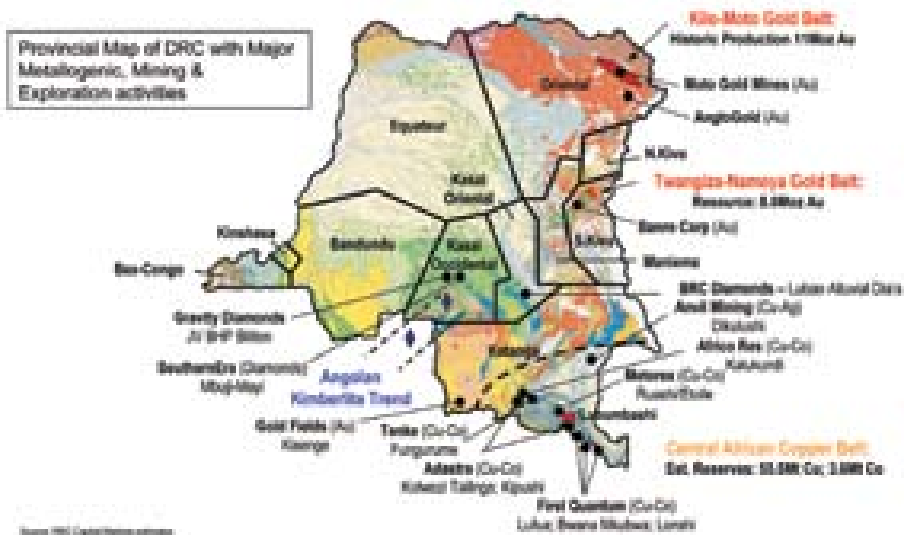
On the evil side, four million people have died in the past decade because the Congo has the largest untapped mineral reserves in the world. Villages are massacred, women are raped, genitalia are hacked off, and children are force-marched into hard labour or given an AK47 and shown how to pull the trigger. It works like this: rebel groups fight to win rich mineral concessions and then use the temporary spoils—truckloads and crates of ready-to-move coltan, cobalt, gold or diamonds—to finance more war. This is not a recipe for sustainable development, economic or otherwise.

Another unsustainable situation exists today with the \$5 billion of State mining assets that were transferred to private companies (including many Canadian) for virtually no benefit to the State treasury. And the government can scarcely afford to do anything about it—it can't afford to scare off investors before they have laid down substantial roots. Paul Fortin, the Canadian chief executive of the Congo State mining company Gécamines, the company that piggy-banked the Mobutu regime for decades, says: "I am not here as Sherlock Holmes." Sitting in the lounge of the Memling Hotel, the place where deals are made in Kinshasa, he explains that it's a loser's game to try to dig up the dirt and uncoil the mysteries of past deals.

The Lutundula Parliamentary Commission, whose report was kept under wraps for several months after it was finished, disagrees with Mr. Fortin. The report comes down hard on war-time deals that in effect gave away the family jewels to firms with scant resources for little pecuniary benefit now, or in the future, for the Congo. The report recommended several measures, including cancellations, rejection of partnerships and renegotiating contracts. If the recommendations are adopted, all current deals will be affected. This risk isn't disclosed in the Management Discussion & Analysis (MD&A) of the affected publicly listed companies.

One investment analyst at Sprout Securities highlighted this issue in a March 28, 2006 research report on Katanga Mining Limited, calling it "a mine for pennies on the dollar."

The Congo (when known as Zaire) used to fund over half its state budget from the mining sector. In today's Congo, as seen in the 2005 State Budget, 57 per cent of State



revenue is externally financed with injections mainly from the World Bank. Only one per cent of the budget comes from mining. When you consider that a former rebel, who was enticed to join the National Army, is not getting paid, and rebel militias are able to offer him \$60 a month, a budget shortfall starts to look like an Achilles heel.

There is another army that also needs to be fed. They are known as Les Creuseurs, bands of treasure hunters who scrape the mud for gold dust and skim off the top. The first problem is that this is subsistence living, if you can even call it that, and it is largely unregulated, offering little benefit to the State. I saw one mine pit crawling with two thousand kids and youth working in gangs of eleven to make their 50 cents or dollar for the day. The US Embassy in Kinshasa estimates that there are sixty to eighty thousand Creuseurs in the mineral-rich province of Katanga alone. Many of these Creuseurs make their living by scavenging the property of international mining companies which are not yet in production. Incredibly, most of the companies I speak with have no idea how many Creuseurs they're dealing with. When the mines hit production, the Creuseurs will have to leave, and if somebody doesn't come up with another way for them to earn a livelihood, they will most likely turn to banditry or rebellion. In a country where the State cannot even afford to pay the army or police salaries, somebody means the companies.

The world needs the Congo, too. With one-tenth of the world's hydroelectric potential, enough fertile land to feed all of western Africa, and an estimated \$24 tril-

lion of minerals underground, this country the size of western Europe in the heart of Africa is the UN's largest experiment ever.

The world needs today's Congo and its upcoming democratic elections to be successful for three reasons. The hungry engines of industry demand the country's massive mineral capacity. Also, in a post-9/11 world, there is no room for allowing failed states or wild zones in the heart of Africa, especially ones that have ample supplies of uranium. And it's an opportunity for the UN to show the world that it has the wherewithal to fix the international community's most pressing problems.

"We believe the world needs the Congo, which is probably the last major undeveloped source of raw materials in the world. The extent of US and UN involvement in the country is a measure of how important stability in the Congo is to the West in terms of raw materials, regional stability and for eradicating ungoverned regions where terrorists can take refuge."—Sprout Securities

On July 30, the Congo is going to have its first Democratic elections in over 45 years. Thirty-four-year-old President Kabila is the

Third UN Expert Panel:

“The elite network of Congolese and Zimbabwean political, military and commercial interests seeks to maintain its grip on the main mineral resources—diamonds, cobalt, copper, germanium—of the government-controlled area. This network has transferred ownership of at least US\$5 billion of assets from the State mining sector to private companies under its control in the past three years with no compensation or benefit for the State treasury of the Democratic Republic of the Congo.”

Corporate Knights Report

In February, Corporate Knights investigated six TSX-listed mining companies with operations in the Congo (Anvil Mining Limited, Banro Corporation, First Quantum Minerals Limited, Katanga Mining Limited, Moto Goldmines Ltd., and Tenke Mining Corp.). The investigation took Toby Heaps to all corners of the country, involving 11 planes, 5 helicopters, and many jeeps. Heaps interviewed over 130 people for this article ranging from the President of the country to the presidents of the mining operations to children working as informal miners on company property and local chiefs living in huts in the vicinity of mining operations. Local and international NGOs, media, professors, members of the clergy, lawyers, economists, union leaders, diplomats, UN, IMF, IFC and World Bank officials also provided invaluable insight for this article.

In the course of this investigation, Corporate Knights compiled a report evaluating the operations of these six companies in respect to the General Policies of the OECD Guidelines for Multinational Enterprises, assessing each company with a green/yellow/red score in nine different areas on the basis of their conformance with OECD guidelines. The full analysis is available online at www.corporateknights.ca/content/page.asp?name=OECDmatrix. Any errors in this article are the sole responsibility of Toby Heaps.

leading candidate to continue in office. Since he took over from his father who was assassinated in 2001, he has mostly delivered on his four main promises: to get the foreign invaders out, bring unity, create peace, and get the elections started. With a gargantuan effort from the UN, twenty-five million people—most of whom have never had any form of ID—were registered and given voting cards. In February, President Kabila promulgated a modern Constitution that local diplomats generally agree provides a legal cornerstone to build a healthy democratic state. Kabila tells me in a private interview at his home that “if the election doesn’t go my way, I will not go back to the jungle.” The acid test for a functioning democracy is the peaceful transition of power (for the interview as it appeared in the Financial Times, go to www.corporateknights.ca/content/page.asp?name=kabila).

There are three things that need to happen to transform the land of the Heart of Darkness into the land of opportunity.

First, the Congo State’s viability depends on its ability to project power across its vast territory and protect the integrity of its borders. For that, the treasury needs to be able to pay the soldiers’ salaries. Traditionally, this money has come from the mining sector. The crux is that many of the most lucrative mining assets are now the property of international companies with tax deals sweeter than a baklava. These companies would do well to remember that their lucrative assets aren’t worth anything if the State unravels. That could happen if the government cannot raise enough money from the mining sector to pay its bills. While these companies have undertaken huge risks to invest in the Congo, the prudent ones will accept a fair rate of return while proactively living up to the responsibilities of their implied joint venture with the government in nation-building. These same companies will have to shoulder the majority of the responsibility dealing with Les Creuseurs, one of the biggest internal security risks to the country, and one of the first serious security problems that will certainly hit mines in the initial phases of large-scale development. Some companies are making boosting agricultural capacity the cornerstone of their social development strategy. This is smart because it could also be the best alternative to offer a group of angry displaced Creuseurs, who, if given proper assurance that they can reap their harvest, would be happy to plant it.

Second, the infrastructure of the Congo

is sorely lacking and needs to be rapidly enhanced. International mining companies are the only ones with both the money to do this and the most immediate need. They need roads to get their gigantic machines in place, and railways to transport non-precious metals to the market. As President Kabila recognizes, “When you talk of the mining sector, you also have to talk of the energy because it’s the energy that drives the mining sector.” Mines and their processing plants are electricity-hungry operations and right now the country has trouble just keeping the lights on in the capital. Wealthy Congolese use diesel generators as often as the average Canadian uses his shower. Encouragingly, this is a top priority for the World Bank as well. South Africa has pledged to invest \$10 billion in Congolese infrastructure, eyeing its vast hydro potential, and private Chinese companies are already building roads.

Third, the country needs to uproot the endemic corruption that has cast a curse on many resource-rich countries in the developing world. Corruption not only robs the State treasury of much-needed revenue, it also scares away legitimate long-term investors—the kind the Congo needs to rebuild the country. Sunlight is the best disinfectant in this case. The Congo has signed on to the Extractive Industries Transparency Initiative (EITI). It now needs to get on with implementing it, which would mean giving a full public account of where money from the extractive industries is going. The investors behind the Tenke Fungurume project, a \$60 billion copper mine, signed the EITI and they, as well as the rest of the mining companies, need to get on with implementing it; publishing who and what they pay in the Congo for everybody to see.

While I was on the ground in the Congo, peering into a hundred-foot pit, watching hundreds of Creuseurs swarming, I couldn’t help but feel the urgency of the situation. There is wealth in the ground. That wealth is coming out. Lives are at stake. A nation is at stake. Too many powerful players need this to succeed and too much money is on the line. The Congo truly is a land of spectacular opportunity for those who are bold enough to go but smart enough to manage the risks. These risks need to be managed in a fair and responsible way. Never before has fiduciary duty been so closely linked to building a successful State out of the darkness of the past decade. **CK**

Toby Heaps is editor of Corporate Knights.



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ENERGY & CONFLICT

A map and report card on human rights and conflict exposure for Canadian energy companies operating abroad.

Canadian extractive companies operate all over the world. They have the potential to make or break the futures of fragile states. A lot depends on how prepared they are to deal with human rights issues and the challenges of doing business in a conflict zone. So how prepared are the most exposed companies? Read on to find out.

Of the **21** Canadian oil and gas companies which operate in conflict zones, **only 5** have a human rights policy or a policy that mentions respect for human rights.

Only 6 companies have made an explicit commitment to not be complicit in human rights violations.

Five have a mechanism in place to monitor and verify compliance with their human rights policies.

Four companies state that all security contracts must include provisions that are consistent with the UN Basic Principles on the Use of Force and Firearms by Law Enforcement Officials.

Four companies' human rights policies specify that the potential impacts of their investments on human rights must be considered prior to investing.

The **majority** of the companies disclose their royalties and tax payments to governments in host countries. It is, in fact, a filing requirement under the Standard of Disclosures for oil and gas (National Instrument 51-101) and mining companies (National Instrument 43-101).

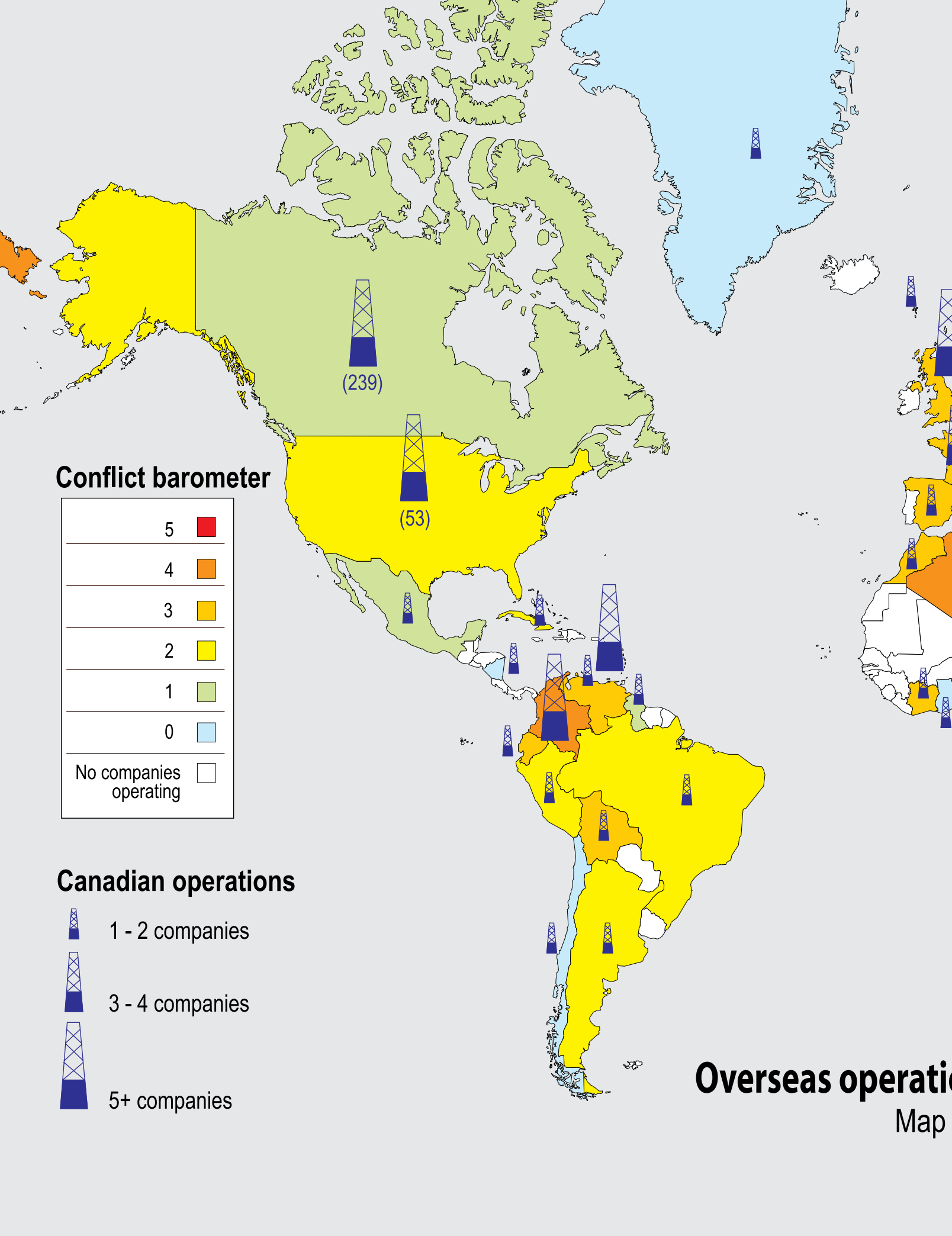
Four companies signed on to the UN Global Compact.



Very few companies include human rights or conflict exposure discussion as it relates to their operation in their annual report to shareholders.

Talisman Energy is the **only** company in our survey that signed on to the Extractives Industry Transparency Initiative (EITI).




None of the companies has a definition of **minimum** human rights conditions under which it will not operate.



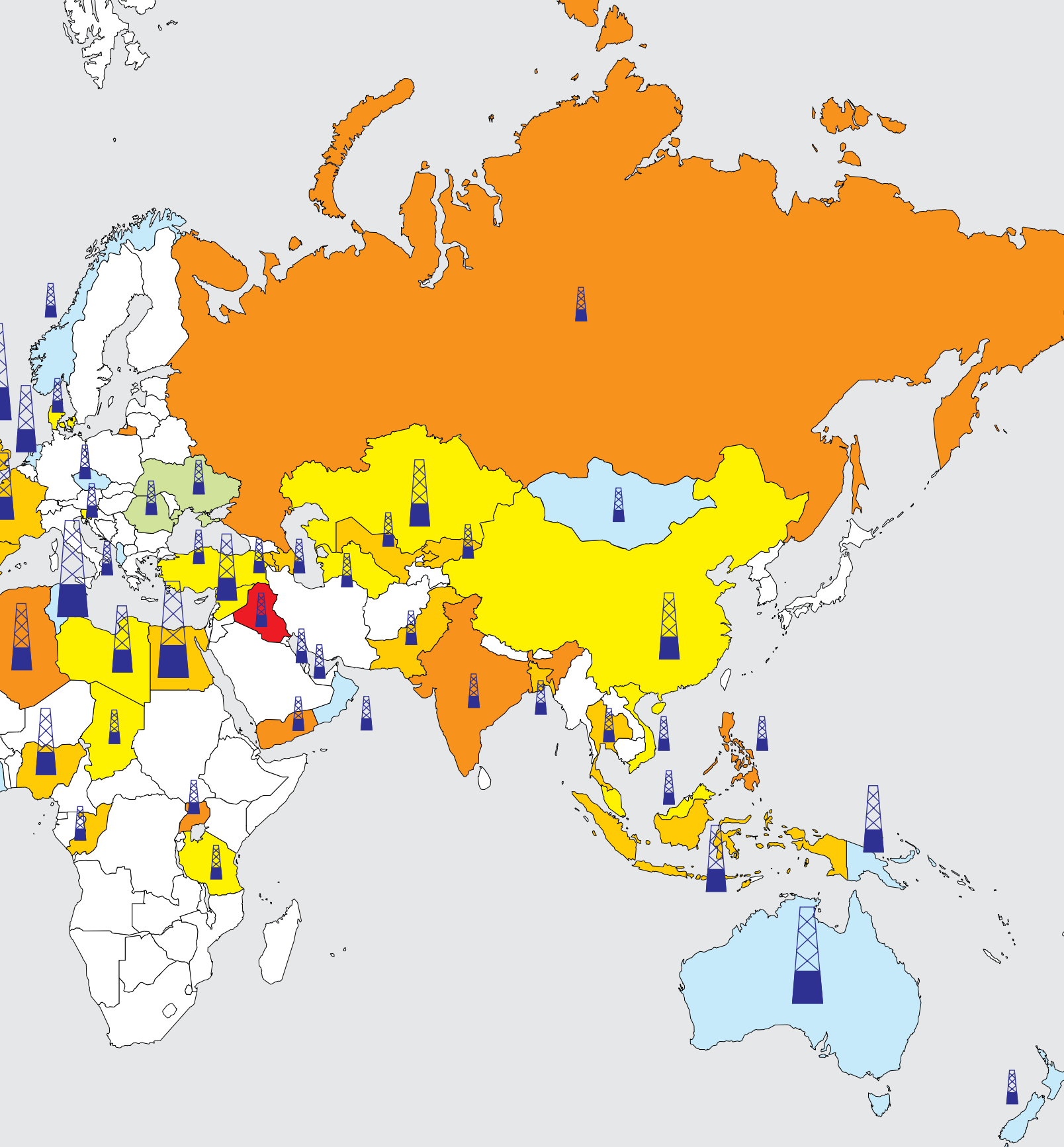
Conflict barometer

5	■
4	■
3	■
2	■
1	■
0	■
No companies operating	■

Canadian operations

-  1 - 2 companies
-  3 - 4 companies
-  5+ companies

Overseas operations
Map



ons of TSX oil & gas companies around the world
produced in association with Maplecroft - www.maplecroft.net



CONFLICT ZONES

Corporate Knights examined the international operations of TSX-listed oil and gas companies, focusing on countries that are in a severe crisis or war situation. To determine conflict intensities of various nations, we used the Conflict Barometer updated annually by the Heidelberg Institute for International Conflict Research. We also added Côte d'Ivoire in our analysis due to recent events (according to the International Crisis Group, the recent security situation has deteriorated after rioting in January). For the following chart, we limited our focus to countries with a conflict score of 4 or greater (out of 5). These are countries that have suffered single eruptions of conflict that are classified as either “severe crisis” or “war.”

Canadian Oil and Gas Operations in Countries that are Involved in Severe Crisis or War Situation

Country with a Conflict Score of 4 or greater	TSX-listed Oil & Gas Companies with Operations in the Country	Description of Conflict (levels 3 and above)
Algeria	Petro-Canada, Talisman Energy, First Calgary Petroleum	Various Islamist groups vs. government over national power (4)
Colombia	Talisman Energy, Nexen, Petrobank Energy and Resources, Ivanhoe Energy, Solana Resources, Loon Energy Inc.	AUC (United Self-Defence Forces of Colombia) vs. government (3) FARC (Revolutionary Armed Forces of Colombia) vs. government (4) ELN (National Liberation Army) vs. government (4) Guambianos vs. government over resources (3)
Côte d'Ivoire	Canadian Natural Resources	FN (New Forces), Group of Seven vs. government over national power (3*) * Situation has become volatile since January 2006 riot.
India	Canoro Resources Ltd., Niko Resources	ULFA (United Liberation Front of Assam), NDFB (National Democratic Front of Bodoland), BLTF (Bodo Liberation Tribal Force) vs. government over Assam secession (4) Hindus vs. Muslims in Ayodhya (3) Garo Students Union (GSU) vs. government (3) Kashmiri and Pakistani separatists vs. government on the separation of Kashmir region (4) UNLF (United National Liberation Front), MPLF (Manipur People's Liberation Front), ZRA (Zomi Revolutionary Army) vs. government over Manipur separation (4) NSCN (National Socialist Council of Nagaland) vs. KNF on regional predominance (3) Naxalites rebels vs. government (4) Sikhs vs. government on autonomy (3) NLFT (National Liberation Front of Tripura) separatist movement in Tripura (3) ULFA vs. Biharis and Bengalis over regional predominance (3)
Iraq	Ivanhoe Energy, Heritage Oil	Al-Zarqawi group vs. government (4) Insurgents vs. government supported by US-led coalition force (5)
Philippines	FEC Resources	Abu Sayyaf separatist movement (4) MILF (Moro Islamic Liberation Front) separatist movement (3)
Russia	Valkyries Petroleum	Separatist movement of Chechen rebels against the government (4)
Turkey	Stratic Energy Corp.	PKK/KONGRA-GEL (Kurdish Workers Party/Kurdish People's Congress) vs. government over more Kurdish autonomy (4)
Uganda	Heritage Oil, Vangold Resources Ltd.	LRA (Lord's Resistance Army) vs. government over national power and autonomy (4)
Yemen	EnCana Corp., Nexen, TransGlobe Energy, Calvalley Petroleum, Oracle Energy	Believing Youth Movement vs. government (4)

CONFLICT/HUMAN RIGHTS MANAGEMENT PROFICIENCY SCORE CARD

Corporate Knights looked at the following universe of companies:

- oil and gas companies listed on the TSX
- other energy sector companies listed on the S&P/TSX Composite Index

which operate in the countries listed on adjacent table (Conflict Zones) and assessed their capacity to manage conflict and human rights related risks. We set out 18 criteria to determine a company's conflict situation and human rights management proficiency. By looking at a company's publicly available documents such as its human rights policy, annual report, annual information form, management's discussion and analysis, sustainability report, and code of business ethics, we came up with an integrated conflict/human rights risk management proficiency rating. We purposely limited our analysis to information that is in the public domain.

CRITERIA FOR COMPANY HUMAN RIGHTS MANAGEMENT PROFICIENCY

1. Company has a formal human rights policy
2. Company makes an explicit commitment to not be complicit in human rights violations
3. Company human rights policy specifies board and senior management responsibilities
4. Company human rights policy specifies staff allocations and training opportunities
5. Company's human rights policy implementation integrated into compensation plans
6. Company publicly reports on its human rights performance or operational exposure
7. Company has mechanism in place to monitor/verify human rights policy compliance
8. Company policy states that all security contracts include provisions consistent with the UN Basic Principles on the Use of Force and Firearms by Law Enforcement Officials
9. Company human rights policy specifies that consideration of the potential human rights impacts of its investments are made prior to investing
10. Company discloses royalty and tax payments to governments in host countries by country
11. Company endorses the Universal Declaration of Human Rights
12. Company endorses the United Nations Norms on Responsibilities of Transnational Corporations or has signed onto the Global Compact
13. Company has signed onto EITI (Extractives Industry Transparency Initiative)
14. When host governments become implicated in violations of international humanitarian law, company has a policy to protest (or has exhibited in practice) such violations in the strongest terms possible with government officials
15. Company has a definition of minimum human rights conditions, below which it will not operate
16. Company discloses exposure or procedures for mitigation of conflict/human rights-related risks to shareholders in its annual report
17. Company discloses exposure or procedures for mitigation of conflict/human rights-related risks to shareholders in its Management's Discussion & Analysis
18. Company discloses exposure or procedures for mitigation of conflict/human rights-related risks to shareholders in its sustainability or corporate responsibility report

Company	Proficiency Rating
Calvalley Petroleum	Poor
Canadian Natural Resources	Poor
Canoro Resources Ltd.	Poor
Enbridge Inc.	Satisfactory
EnCana Corp.	Needs Improvement
FEC Resources	Poor
First Calgary Petroleums	Poor
Heritage Oil	Poor
Ivanhoe Energy	Poor
Loon Energy Inc.	Poor
Nexen Inc.	Good
Niko Resources	Poor
Oracle Energy	Poor
Petrobank Energy and Resources	Poor
Petro-Canada	Satisfactory
Solana Resources	Poor
Stratic Energy Corp.	Poor
Talisman Energy	Good
TransGlobe Energy	Poor
Valkyries Petroleum	Poor
Vangold Resources Ltd.	Poor

Progression Scale:

Poor, Inadequate, Needs Improvement, Satisfactory, Good, Excellent

Caroline Law is the Director of Research at Corporate Knights.

OIL SANDS

How much would it cost to make our oil sands carbon-neutral?

by François Meloche

The western oil sands are a huge challenge for Canada’s attempt to fight climate change. Producing one barrel of oil from oil sands emits three times more greenhouse gases (GHG) than from conventional light or medium crude oil. The extra emissions are due to the use of natural gas (or coke) used to separate the bitumen from the sand and to upgrade it to synthetic oil.

According to the Pembina Institute for Appropriate Development, an Alberta-based environmental think-tank, “The oil sands are the single largest contributor to GHG emissions growth in Canada, contributing close to one-half of the projected business-as-usual growth between 2003 and 2010.” In the longer term, emissions from oil sands, which currently stand at 23 megatonnes (about 3 per cent of Canada’s total), could, in a worse case scenario, climb to 175 megatonnes in 2030, a 760 per cent increase over 30 years.

In light of this immense challenge, the Pembina Institute is challenging oil companies to voluntarily commit to making their oil sands operations ‘carbon neutral’ by 2020. “Because oil sand operations are very profitable,” says Marlo Reynolds, Pembina’s Executive Director, “they have an obligation to show real leadership in reducing GHG.”

Part of becoming carbon neutral relies on efficiency improvements. In the decade up to 2002, the oil sands industry achieved a 3 per cent annual average lowering of GHG intensity (emissions per unit produced). However, this trend seems unlikely to be sustainable without technology breakthroughs. The Alberta government’s Climate Change Plan is targeting a more realistic 2.3 per cent annual reduction in emissions per barrel produced.

The majority of reductions, however, would have to be achieved through offsets (investing in renewable energy or carbon reducing projects directly or by purchasing emission credits). How much would this cost? The only official emission trading GHG commodity, the European Union Allowance (EUA), currently trades at around 25 euros per tonne. The Pembina Institute estimates that, once an emissions trading system is established in Canada, the price in 2020 could rise according to three different scenarios: \$25, \$50, or \$75. Using this data and projected emissions from oil sands (using the 2.3 per cent

annual decrease in intensity), it was possible to estimate the per barrel (bbl) cost of having carbon-neutral oil sands operations in 2020. The following graph shows that this “neutrality” would be cheaper for EnCana (around \$1 to \$3/bbl) than for Imperial Oil and Nexen (\$2 to over \$5/bbl). High emissions at Syncrude explain some of the difference (mining is generally more GHG-intensive than steam-assisted gravity drainage). With present oil prices at around US\$60/bbl and following a long term upward trend, this does not seem overly expensive.

Asked about the Pembina Institute challenge, some companies replied that the political context surrounding the implementation of Kyoto is too uncertain to commit to any objective. However, some oil companies have publicly committed to making an effort. Shell Canada, for example, committed to achieving a 50 per cent reduction in GHG emissions at its Athabasca Oil Sands Project between 1999 and 2010 through a combination of reduced energy consumption, improved energy efficiency, the purchase of domestic offsets and feasibility studies regarding CO2 capture.

Committing serious resources to emission reductions could prove to be strategic in the long run. Although, it seems unlikely that Ottawa will impose stiff GHG reductions to oil sands in the Kyoto Protocol period ending in 2012, the post-Kyoto period could prove different. Companies such as Suncor, Imperial Oil, Shell Canada, CNRL, and Nexen who are heavily invested in oil sands would be more exposed to political risk arising from future climate change policies.

Perhaps ex-Environment Minister Stéphane Dion was being overly pessimistic when he declared that “there is no minister of the environment on Earth who can stop this [oil sands development] from going forward, because there is too much money in it.” In the long run, some future government may impose strict reductions on the largest emitters of climate-affecting substances. Oil companies that choose to be proactive instead of reactive may be compensated as well as stand out as responsible citizens. **CK**

François Meloche is a researcher at Groupe Investissement Responsable.

PROPORTION OF PRODUCTION FROM OIL SANDS

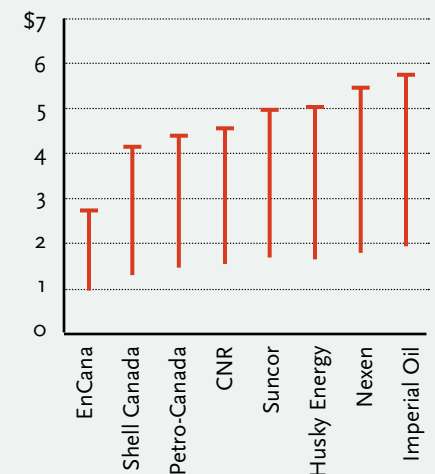
Company	2005	2015
Suncor	83%	93%
Shell Canada	45%	76%
Imperial Oil	54%	72%
CNR	9%	40%
Petro-Canada	11%	39%
Nexen	6%	35%
Husky Energy	0%	35%
Encana	4%	17%

TOTAL RECOVERABLE RESOURCE IN OIL SANDS (MLN BBLs)

Company	2015
Suncor	12 500
Imperial Oil	10 000
CNRL	9 500
Nexen	4 402
Petro-Canada	4 262
Shell Canada	3 600
Husky	2 950
EnCana	2 000

Source :
Raymond James, The Oil Sands of Canada, July 28 2005

THE COST OF BEING CARBON NEUTRAL



Y-axis : Carbon Neutral Offset (\$/bbl)
Data : Carbon Cost in 2020 ranging from \$25 (low end) to \$75 (high end) per tonne under different scenarios.

SMOG INHALATION

Part two of a four-part series on health and the environment

by Zoe Cormier

"Asthma is such a common thing in this city, it's pathetic. We live in a cloud, but what are we going to do about it?" Len Sowinski, 42, an iron worker with the Local 700 swigs from a cold bottle of beer, cooling off from an August evening at Fat Moe's, a Sarnia watering hole. Sharing a drink on the patio, this is where many workers come to speak about the uglier aspects of life under the smokestacks. A cover band breaks out Joni Mitchell's "Big Yellow Taxi," a few people joining in: "They paved paradise, put up a parkin' lot..." The song is apt—Lambton County is home to Canada's largest concentration of petrochemical factories. Industry is the lifeblood of the city's economy, but also responsible for the smog and foul smells that fill the air.

"I'm probably going to die of lung cancer too, like a lot of workers here, but I've got kids—where else can I make 30 bucks an hour?" asks Sowinski.

"Asthma runs rampant here, and everybody gets lung cancer," says a 32-year-old Suncor employee who withholds his name. He takes a haul off his inhaler (which he has been using since he was seven). "That's why they pay us so much to work in the factories—not because of our expertise, but because we're going to die young," he says.

Speaking for the factories, Scott Munro, executive director for the Sarnia Lambton Environmental Association (an industry group representing 19 local facilities), points out that the levels of most airborne pollutants have decreased considerably since the 1970s, adding that "there is no evidence that people here are exposed to levels [of airborne pollutants] that are higher than the levels set by the provincial government considered to be safe."

But the average person in Sarnia isn't so confident that the air they breathe is safe—after all, Sarnia is home to three of the top ten emitters of respiratory toxicants in Ontario:



PHOTO: Suzanne Tucker

How safe is the air we breathe?

Asthma and smog alerts are on the rise in all urban centres across Canada. Industrial and vehicle emissions are two of the biggest problems but there are effective economical ways of cleaning up the air.

the Lambton Generating Station, a coal fired plant (number 3), Imperial Oil's Sarnia Refinery Plant (5), and Shell Canada Product's Sarnia Manufacturing Centre (10).

A telephone survey of 383 residents in February and March 2000 by the County of Lambton Community Health Services Department found that two thirds of respondents were concerned about the effects of air pollution on their health, almost half believed they or somebody they lived with had experienced a 'negative health effect' from the air.

"Honestly, if you go to Barrie for the weekend and come back to Sarnia, you can feel the difference instantly," says Sowinski.

Smog is made up of a slew of gases, vapors, and particles that can damage the lungs: nitrous oxides (which give smog its brown colour); sulphur oxides (often foul smelling); carbon monoxide (fatal in high doses); a number of hydrocarbon gases

(also called volatile organic compounds, or VOCs); and microscopic bits of dust, ash, and metals (collectively called 'particulate matter'). Since the introduction of the Clean Air Act in 1969, levels of most of these pollutants in Canada's air have considerably declined; between 1974 and 1992 the average Canada-wide concentration of some of these major pollutants in the air fell between 38 per cent and 61 per cent

But the downside is that local concentrations of pollutants in Canada's urban areas are higher than they were in the 1970s due to more cars—this, coupled with hotter summers, are subjecting us to more smog alert days every year.

And industrial emissions, although lower than in the 1970s, haven't improved much in recent years. Air pollution decreased by a mere two per cent between 1995 and 2003, according to a 2005 analysis carried out by Pollution Watch, a collaborative effort of the

Environmental Defence Canada and the Canadian Environmental Law Association, using data from the federal government's National Pollutant Release Inventory (NPRI) to which all major industrial facilities in Canada report the amount of chemicals they release to the air, water, and land.

The average person breathes about 15,000 litres of air per day—so even with low concentrations of pollutants this raises concerns.

For people already suffering from respiratory problems (such as asthma, emphysema and bronchitis) smog makes symptoms worse—and can even be deadly. According to a February 2005 study released by the European Commission, approximately 310,000 people in the EU die prematurely every year from air pollution. Worldwide, the World Health Organization estimates the number at three million—three times more than the number of people who die in automobile collisions.

It is well established that air pollution can make people who are already sick worse. But now many authorities are concerned that air pollution could actually cause respiratory illness in healthy people. A number of recent scientific studies have illuminated the mechanisms by which air pollutants can cause physical damage.

For example, a February 2005 study in *Environmental Health Perspectives* found that long-term exposure to fine particulate matter (which enters the blood through the lungs) inflames, hardens, and eventually thickens the arteries by somewhere between three and six per cent. Constricted blood vessels strain the entire body, especially the heart, and can contribute to an early death.

But even short-term exposure to air pollution can leave physical marks. A January 1992 study in the *American Journal of Pathology* found that 79 per cent of people who lived in Mexico City for more than 60 days developed abnormal tissue growth in their nasal cavities due to exposure to ozone.

Some scientists are also now concerned that air pollution could contribute to lung cancer—formaldehyde and benzene are both known carcinogens; fine particulate matter often contains carcinogenic (or possibly carcinogenic) metals, such as nickel, cadmium, arsenic, beryllium, mercury, and lead.

There is also good evidence that air pollution may be responsible for the epidemic of asthma in Canada. It's been known for a long time that smog makes asthmatic attacks worse, but now science has shown that "being in a smoggy environment actually gives rise to more cases of asthma—it's

one thing to make attacks even worse, it's quite another to actually induce more cases of asthma," says Ted Boadway, MD, executive director of health policy for the Ontario Medical Association (OMA).

Incidence of asthma is rising: In 1979, 2.3 per cent of Canadians were asthmatic. By 1994, this number reached 6.1 per cent, and by 1999 it rose to 8.5 per cent, according to a 1998 report from Health Canada.

And the damage may begin even before we take our first breath of air; a January 2005 study in *Pediatrics* that looked at air quality measurements and birth records in California in 2000 found that pregnant women who breathe highly polluted air give birth to smaller babies (about an ounce less than babies from cleaner neighbourhoods). Low birth weight is associated with an increased tendency to a whole host of health problems later in life.

There's a real economic cost to air pollution as well. The Ontario Ministry of Environment estimates that Ontario alone suffers a loss of \$9.8 billion a year due to the combined direct and indirect economic, health and environmental costs of air pollution (such as from missed work days, medical costs, damage to crops and forests, etc).

Air pollution, however, can be curbed, and some companies have already shown that progress is possible.

Pollution Watch ranked Carpenter Canada Co.'s Woodbridge Ontario facility second, and Les Aciers Canam's St-Gedeon Quebec plant fourth in Canada for reducing their emissions of respiratory toxicants between 1998 and 2002. These two facilities managed to reduce emissions without seeing a reduction in productivity (unlike the first, third and fifth biggest reducers in Canada, which all downsized or went bankrupt).

Between 1998 and 2002, polystyrene foam manufacturer Carpenter Canada managed to reduce annual emissions of respiratory toxicants by 369,546 kg, primarily by replacing methylene chloride with liquid carbon dioxide as a blowing agent during the foaming process.

Les Aciers Canam (also known as Canam Steel), the largest manufacturer of steel joists in Canada, reduced their annual air emissions of respiratory toxicants by 317,100 kg simply by switching to a different type of paint. The old paint contained a solvent, called xylene, which is toxic and escapes to the air easily—the new paints contain mineral spirit solvents instead. "Switching paints involved little capital expense—the costs of the new paint is a bit higher, but this is

offset by the fact that we reduced emissions and we have a safer working environment for our employees, something we value," says Jean-Philippe Monfet, Environmental Director for Les Aciers Canam.

Of course, we can't expect industry to change much without legislation. Some provincial and federal governments have shown leadership with hard targets for the three main sources of smog: industry, energy, and transportation.

In Ontario, new regulations came into effect in 2005 that will reduce emissions from industrial facilities. Regulation 194/05 (effective May 2005) aims to reduce emissions of nitrous oxides by 21 per cent by 2015 (from 1990 levels) and sulphur oxides emissions by 46 per cent (from 1994 levels) for seven industrial sectors. Regulation 419/05 (effective since November 2005) set new standards for levels of air pollutants for the first time in 25 years. Standards for 40 substances have been laid out, 30 of which are lower than previous limits.

"Facilities will now have to inform the ministry if they are out of compliance with these standards. Moreover, the courts will now be able to charge companies that do not comply, with fines up to six million dollars," says John Steele, spokesman for the Ontario Ministry of the Environment.

Ontario is also taking steps to deal with pollution from energy production, which is the main source of particulate matter in the province. Coal-fired plants—which can be blamed for 668 deaths a year, according to the Ministry of Energy—will all be shut down by 2009. New clean burning natural gas power plants will make up the lost coal power (which at present provides about 17 per cent of Ontario's electricity), and two new hydroelectric projects and five wind farms (under construction) will help the province meet its goal of generating 10 per cent of Ontario's power from renewable sources by 2010 (although nuclear power will also be increased with repairs to old reactors and possible construction of new plants).

But for the 80 per cent of Canadians who live in urban areas the biggest problem is transportation. According to Toronto Public Health, transportation emits about 35 per cent of the city's sulphur oxides, about 65 per cent of nitrous oxides and more than 75 per cent of carbon monoxide.

For this reason the federal government is imposing new restrictions on fuel. As of January 1, 2005 the amount of sulphur in gasoline was limited to an average concentration of 30 parts per million (ppm), down

from the 2002 limit of 150 ppm. And as of September 1, 2006 the amount of sulphur contained in on-road diesel fuel will be limited to 15 ppm, down from 500 ppm. These limits are mandatory (regulated by Environment Canada), subject to fines of up to \$1 million (CDN).

Industrial emission caps, phasing out 'dirty' energy production, and new vehicle fuel standards are all well and good, but air pollution isn't going to go away with these steps alone. However, there are plenty more solutions available.

When it comes to green power, Canada lags behind. While less than one per cent of Canada's electricity is generated by wind, Denmark already produces 20 per cent of its power from wind farms. With so many blustery mountains, prairies, and arctic plains, it's hard to see why Canada doesn't already lead the world in wind power.

But even if more of our energy came from renewables, we still need energy conservation. Efficient appliances have been available for many years—fluorescent lightbulbs, hybrid solar/electric water heaters, geothermal heat pumps, just to name a few. We should build on the incentives already in place to encourage Canadians to save energy such as the EnerGuide for Houses Retrofit Incentive. The federal government offers homeowners grants of up to \$3,348 (average being about \$630) for the installation of efficient heating and insulation (which of course comes with the added bonus of lower energy bills). And drivers can reap PST tax rebates for buying a hybrid vehicle in BC, Ontario, and PEI (PEI

offering the sweetest deal, up to \$3,000 on paid PST).

Canada has also dragged its feet on efficient vehicles. Paul Martin's government drew criticism in April 2005 when they announced that fuel efficiency (i.e. miles per gallon) standards for new cars would be voluntary—not mandatory. Balking to pressure from industry, the Liberals scrapped vague proposals for mandatory standards and instead signed a Memorandum of Understanding (MOU) with auto manufacturers, who pledged to cut annual greenhouse gas emissions from Canada's fleet of vehicles by 5.3 megatons by 2010. But the MOU is not legally binding, and there are no penalties.

To be fair, voluntary agreements are not necessarily ineffective. The European Union is expected to meet their targets for fuel efficiency with voluntary standards. But the EU has specifications—new cars are to emit no more than 140 grams of carbon dioxide per kilometre by 2008, a 25 per cent reduction over 1995 levels. Our MOU does not stipulate exactly how vehicle reductions are to be achieved; if Canadians reduce emissions because they drive less, the MOU will have been met, whether manufacturers produce more efficient vehicles or not. Moreover, a mandatory approach is not unthinkable—in 2002, California became the first US state to pass mandatory vehicle efficiency standards with Bill AB 1493 (which has been challenged in federal courts by auto manufacturers, slated to go to trial in January 2007).

"But if your strategy is cleaner cars, you still have auto dependency, you still have air pol-

lution. Don't treat the symptom, treat the disease: bad urban planning," says Gord Perks of the Toronto Environmental Alliance. He points out that it is near impossible to live in Canadian suburbia without a car. But he says there are many ways to alleviate the problem. Convert the middle lanes of broad suburban streets into bus or streetcar lanes, like on Spadina Avenue in downtown Toronto. Change the zoning laws to force taller buildings (thus curbing suburban sprawl). Use Toronto's under utilized existing city-to-suburb rail tracks to provide quick and reliable routes for commuters. Create tax incentives or reduce the price for using public transportation (something Steven Harper has already hinted at), and hike fees for driving (like in London, England, where drivers are charged eight pounds every day they drive into the centre of the city—and 50 pounds if they fail to pay the fee by midnight).

Air pollution is probably the world's oldest environmental problem, and it is still a huge one. There are more smog days every year, asthma is on the rise, and the economic cost of air pollution runs into the tens of billions of dollars. But the solutions are there: tougher vehicle standards, a greater investment in green energy, more incentives to reduce energy use, bigger commitments to public transportation, and wiser urban planning. Even through all the smog, it's hard to see why we can't do better. **CK**

Zoe Cormier is the former science editor for The Varsity, the U of T student newspaper.

Progress Reports

According to Inco spokesman Steve Mitchell, the nickel behemoth has spent close to a billion dollars since 1988 on reducing emissions at its Copper Cliff facility. Inco's new fluid bed roaster technology installed at a cost of \$150 million at the Copper Cliff operation will bring sulphur oxides emissions down another 34 per cent and metals 20 per cent by 2006. At Inco's Thompson facility, between 1997 and 2000, "we cut our metals emissions by about 50 per cent and we're hoping to reduce them by 80 per cent by 2008," he adds.

At the Shell location in Sarnia, "we have reduced our 2004 nitrogen oxides emissions by 62 per cent since 1990, and our 2004 sulphur oxides emissions by 21 per cent since 1994, and under new regulations we'll have to reduce nitrogen oxides by another 14 per cent and sulphur oxides by 42 per cent by 2010," says Gerry Ertel, regulatory affairs manager for Shell Canada, whose manufacturing centre in Sarnia ranked tenth in Ontario for overall production of air pollution.

Oil sands extractor Syncrude supplies 13 per cent of Canada's petroleum from production at a single facility, the Mildred Lake Plant Site (in Alberta). It also placed fifth in Canada for increasing releases of respiratory toxicants, according to Pollution Watch. This tune may change though—a quarter from every dollar spent by Syncrude on their current expansion is directed towards environmental performance, such as switching to cleaner fuels, according to Syncrude spokesman Alain Moore.

Ways to reduce emissions of VOCs

Company	Source of Emissions	Solution	Result
Steelcase Canada	Liquid paint	Switch from liquid to powder paint	9 tonne reduction in emissions
Hemlock Printers	Alcohol in dyes	Switch to alcohol-free dyes	Reduced emissions by 50%
Bowne of Canada	Alcohol in dyes	Switch to alcohol-free dyes	29.3 reduction in emissions, plus net savings of \$133,000

PHOTO: Shutterstock © Andres Rodriguez



FOURTH ANNUAL
CORPORATE KNIGHTS GUIDE TO
**RESPONSIBLE
INVESTING**

*A guide to Canada's
Socially Responsible
Mutual Funds*

by Toby A.A. Heaps
research by Corporate Knights
mutual fund data by Fund Library Research Group

The amazing thing is how few Canadians actually invest in socially responsible investment (SRI) products. Of the \$589 billion mutual fund juggernaut in Canada, less than one per cent is invested in funds that are classified as socially responsible. The main reason is that Canadians don't really understand SRI. At least part of the fault lies with fund companies for tiptoeing around the reality of SRI. These funds own pretty much the same stocks as non-SRI funds (with few exceptions such as weapons and tobacco companies). That is because industries of the future (organic food, renewable energy, green building, etc.), while growing fast, are still too minuscule a part of the stock exchange basket to put all your nest eggs into. Where SRI managers differ is in how they talk to companies they own. When you put your money in the average Fidelity fund, it's probably a safe bet that the manager is not using his face time with company management to press home strategic environmental, social, and governance (ESG) risks and opportunities that the company may be overlooking, or not giving enough priority to. ESG factors often get overlooked because of short-term market pressures and their long-term dimensions. SRI increases mind-share around ESG aspects in the crowded heads of corporate executives, by bringing social and environmental dimensions of business into the boardroom in savvy terms that beancounters can appreciate.

HIGHLIGHTS OF 2006 SURVEY

Over **a dozen funds** offer solid track records on both social and financial terms.

On a one-year basis, **three-quarters** of Canadian SRI funds outperformed the average fund in their category.

On a three-year basis, exactly **half** did the same.

Eleven new SRI funds were launched in the past 12 months.

Investing for change is becoming increasingly more sophisticated with fund families like Ethical Funds publishing reports with names such as Shareholder Action Program Update detailing how they are advancing human rights standards, environmental justice, and climate change mitigation. They are also urging companies to give a political nudge where it makes sense, such as the case with Maple Leaf Foods, who have a lot to gain from proposed GMO labeling, as their access to international markets is contingent upon an ability to differentiate non-GMO grain-fed meat from the GMO lines.

AT LEAST THE NAME FITS

The problem with SRI funds

A saintly name is mandatory when you're selling virtue in the form of socially responsible mutual funds.

Thus we have the Ethical fund family, the PH&N Community Values funds, the Clean Environment funds from Acuity, and so on. Thank goodness for evocative names like these because without them, investors would have almost no way to distinguish SRI funds from the rest of the mutual fund industry.

Performance? SRI funds are all over the place, just like the broader fund industry. While there are a growing number of SRI funds with decent returns, some of the biggest, most established funds in the category are highly unimpressive.

Fees? SRI funds are often pricier than you'd expect for a product built on integrity, although there are some good values.

Stock selection? SRI funds make a big show of screening the universe of stocks for ones that operate in an ethical manner, but their portfolios look the same as conventional funds to the untrained eye.

The reality of SRI investing today is that there is a growing number of individual funds that let people do right by their consciences and do well enough in the markets. A select number of SRI fund families are also turning in social returns in the form of shareholder engagement, a practice aimed at effecting change in corporate juggernauts from within.

But the SRI sector as a whole doesn't quite have the chops to qualify as a white knight of the investing world.

A key to legitimacy for SRI funds in the eyes of investors would be decent—not necessarily great—returns. Unfortunately, the two largest, most established funds in the category are the quintessence of mutual fund sub-mediocrity. The \$2-billion Investors Summa Fund closed out 2005 on a roll, and it has had some very good years. Still, investors who have owned this fund over the past one-, three-, or five-year periods have seen returns fall markedly below the category average for Canadian equity funds. The \$427-million Ethical Growth Fund has been a perennial dud that continues to disappoint, despite a recent change

in manager. Over pretty much any time-frame you choose, this fund has lagged the average Canadian equity fund by enough to make a strong case that SRI investing means accepting less than you can make in conventional funds.

It's justifiable to pick on these two funds because the SRI sector must be judged on the products that have attracted the most money from investors. But that said, there are numerous smaller SRI funds that have been uneven, awful or both. Two notable examples are the \$95-million Clean Environment Equity Fund and the \$25-million Ethical Global Equity Fund.

The good news for the SRI set is that its one longtime star fund, Ethical Special Equity, now has some company in the form of a few newer funds with promising results. A representative fund from this group of up-and-comers is the \$158-million Ethical Canadian Dividend Fund, which has been a category leader in its four years of operation. The \$35-million Acuity Social Values Canadian Equity Fund has been a dominant fund in its category, while the \$47-million Meritas Jantzi Social Index Fund came in just ahead of the average Canadian equity fund over the past three years. If these funds can continue their success and draw a lot more in assets, then they may eventually give SRI funds the reputation as decent performers. For now, though, SRI funds are just like conventional funds—some gems hidden amongst a preponderance of mediocre-or-worse products.

Fees are an area where SRI funds face a dilemma. On one hand, they tend to be small and thus don't enjoy the economies of scale that allow bigger funds to keep their fees below average. On the other, the fair-play image of SRI funds suggests that investors should expect fees at reasonable levels. In reality, SRI funds often appear somewhat expensive.

Investors Summa has a management expense ratio of 2.76 per cent, which compares to an average of roughly 2.5 per cent for Canadian equity funds of comparable size. Ethical Growth charges a trim MER of 2.38 per cent, but Acuity's strong-performing Social Values Canadian Equity charges

a very hefty 2.94 per cent. The Meritas Jantzi Social Index Fund has an MER of 2.00 per cent, which is almost double what regular bank-sold index funds charge.

The Ethical fund family appears to be making the greatest effort to keep fees in line. Both Ethical Growth and Ethical Canadian Dividend are below average for their categories, and the relatively new and small Ethical Canadian Index fund charges a very fair 1.07 per cent. Judge SRI fund fees by the Ethical family and you'll get a much better impression than if you look at the whole sector.

Stock selection is by far the most confusing aspect of the SRI identity, at least for investors who are unschooled in the variety of screening processes that these funds employ to weed out companies in verboten sectors like tobacco or nuclear power and include firms that excel in areas such as community relations, treatment of employees, and sensitivity to the environment. Check out the portfolio of a regular Canadian equity fund and an SRI fund in the same category and you'll have to work hard to discern the difference.

The Top 10 holdings of Ethical Canadian Index as of Nov. 30 included Royal Bank of Canada, Manulife Financial, EnCana, Bank of Nova Scotia, Toronto-Dominion Bank, Suncor Energy, and CN Rail. All of these stocks were at the same time in the Top 10 holdings of RBC Canadian Equity, a generic bank mutual fund and, for that matter, in the largest 12 holdings of the S&P/TSX composite index. An SRI fund manager could no doubt justify these stock selections on the basis that they turned up on a screen of the most ethical companies in a particular sector. But the optics are that SRI funds hold pretty much the same stuff as other funds.

Inconsistent returns and frequently uncompetitive fees further obscure the image of the slowly maturing SRI sector in Canada. But at least these funds have the naming thing down cold. **CK**

Rob Carrick is a personal finance columnist with *The Globe and Mail*.

theresults Corporate Knights SRI Funds Ranking

This chart shows the results of our SRI fund ranking for 2006

BALANCED FUNDS	1 Yr	3 Yr	5 Yr	10 Yr	Assets (\$m)	CKSS	CKPS	TOTAL SCORE	SHIELDS
Inhance Balanced Fund	13.22				\$15.0	96	68	82	★★★★
Ethical Balanced Fund	13.84	13.10	4.86	6.14	\$396.9	90	66	78	★★★★
Acuity Clean Environment Balanced Fund	16.69	20.42	8.62	8.19	\$50.7	57	94	76	★★★★
Desjardins Ethical Canadian Balanced	11.65	10.52	4.13		\$12.9	80	41	61	★★★★
Phillips, Hager & North Community Values Balanced	12.05	13.01			\$8.4	59	61	60	★★★
Canada Life Gen Balanced Fund (Ethical) [S240]	12.24	11.62	3.45		\$1.2	68	50	59	★★★
Meritas Balanced Portfolio Fund	7.20				\$10.7	93	22	57	★★★
Manulife Canadian Balanced Ethics GIF (MB)	9.63	10.69			\$0.2	22	38	30	★★
Manulife Canadian Balanced Ethics GIF encore (MB)	9.64	10.64			\$1.9	22	37	30	★★

EQUITY FUNDS	1 Yr	3 Yr	5 Yr	10 Yr	Assets (\$m)	CKSS	CKPS	TOTAL SCORE	SHIELDS
Ethical Canadian Dividend Fund	28.90	27.77			\$207.3	90	98	94	★★★★
Desjardins Environment Fund	37.45	26.29	11.82	10.24	\$107.3	80	87	84	★★★★
Ethical Special Equity Fund	28.74	31.16	27.86	15.51	\$274.1	90	69	80	★★★★
Mac Unv Sustainable Opportunités Cap Cl	18.46	14.02			\$10.8	97	60	78	★★★★
Ethical Canadian Index Fund	26.52				\$9.8	90	67	78	★★★★
Acuity Social Values Canadian Equity Fund	25.10	29.00	17.10		\$42.0	57	88	72	★★★★
Meritas Jantzi Social Index Fund	26.27	22.84	9.20		\$55.4	93	46	70	★★★★
Ethical Growth Fund	21.72	19.37	6.68	6.64	\$440.6	90	43	67	★★★★
Acuity Social Values Global Equity Fund	17.91	15.82	2.53		\$9.3	63	71	67	★★★★
Ethical International Equity Fund	19.03	17.16			\$39.2	90	41	66	★★★★
Meritas International Equity Fund	19.15	16.03	-1.47		\$13.9	93	36	65	★★★★
Ethical American Multi-Strategy Fund	12.22	4.32	-7.71	3.61	\$86.0	90	38	64	★★★★
Acuity Clean Environment Equity Fund	20.85	23.77	6.89	7.14	\$94.8	57	69	63	★★★★
Great-West Life Ethics Fund (G) DSC	27.10	26.50	12.37		\$5.6	38	80	59	★★★
Great-West Life Ethics Fund (G) NL	26.82	26.23	12.13		\$3.2	38	77	58	★★★
Ethical Global Equity Fund	13.69	10.27	-3.14		\$27.2	90	23	56	★★★
London Life Ethics Fund (GWLIM)	25.75	24.73			\$33.8	38	72	55	★★★
Investors Summa Fund	23.33	19.79	5.68	10.92	\$2,063.0	57	50	53	★★★
Phillips, Hager & North Community Values Cdn Equ	24.33	23.54			\$22.3	59	46	52	★★★
Investors Summa Class	23.00	19.51			\$39.4	57	47	52	★★★
Inhance Global Leaders Fund Class A	7.98				\$5.0	96	7	51	★★★
Acuity Clean Environment Global Equity Fund	11.49	14.39	-3.38	1.83	\$11.4	57	44	51	★★★
Canada Life Gen Growth Fund (Ethical) [S238]	20.23	17.68	5.19		\$0.7	68	32	50	★★★
Meritas U.S. Equity Fund	1.90	1.98	-5.90		\$10.1	93	4	48	★★★
Canada Life Gen N.A. Equity Fund (Ethical)[S241]	9.60	2.67	-9.14		\$0.5	68	25	46	★★★
Dynamic SAMI Fund	9.79	23.47	8.91		\$7.7	27	60	44	★★★
Mavrix Sierra Equity Fund	22.04	23.06	8.19		\$7.6	7	66	37	★★
Phillips, Hager & North Community Values Glo Equ	7.50	8.66			\$5.0	59	7	33	★★

INCOME FUNDS	1 Yr	3 Yr	5 Yr	10 Yr	Assets (\$m)	CKSS	CKPS	TOTAL SCORE	SHIELDS
Ethical Income Fund	3.63	5.33	5.34	6.21	\$233.4	90	67	79	★★★★
Ethical Monthly Income Fund	13.66				\$33.3	90	63	76	★★★★
Phillips, Hager & North Community Values Bond	4.55	6.25			\$10.2	62	89	75	★★★★
Meritas Canadian Bond Fund	2.55	4.67	4.91		\$28.9	93	40	66	★★★★
Canada Life Gen Income Fund (Ethical) [S239]	2.39	3.76	3.73		\$1.5	68	14	41	★★★

MONEY MARKET FUNDS	1 Yr	3 Yr	5 Yr	10 Yr	Assets (\$m)	CKSS	CKPS	TOTAL SCORE	SHIELDS
Meritas Money Market Fund	2.10	1.85	1.93		\$2.2	n/a	70	n/a	n/a

LEGEND:

n YR—Compound return for n years. CKSS—Corporate Knights Social Score (updated every second year, or more often if a fund or fund company undergoes a substantial change). CKPS—Corporate Knights Performance Score. SHIELDS—Quintile ranking

sidetable Who Screens For What?

This chart shows how each group of funds applies negative screens in the stock selection process.

FUNDS	NEGATIVE SCREENS												
	Tobacco	Alcohol	Human Rights	Animal Testing	Financial Services	GMOs	Entertainment	Gambling	Nuclear	Pornography	Weapons	Pork/Poultry	
Acuity Social Value Funds	●	●	●					●	●	●			
Acuity Clean Environment Funds													
Canada Life Funds	●					●	●			●			
Desjardins Funds	●					●	●			●			
Desjardins Environment Fund	●				●	●	●			●			
Dynamic SAMI	●	●	●	●						●		●	●
GWL / London Life / Funds	●	●	●	●		●	●			●			
Ethical Funds	●					●	●			●			
Inhance Funds	●					●	●			●			
Investors Summa	●	●	●	●		●	●			●			
Lutheran Life Funds	●					●	●			●			
Mackenzie Funds	●	●	●	●		●	●			●			
Manulife Funds	●	●	●	●		●	●			●			
Mavrix Funds	●	●	●	●		●	●			●			
Meritas Funds	●	●	●	●		●	●			●			
PH&N Funds	●	●	●	●		●	●			●	●		

NOTE: Acuity Social Values Global Equity Fund also screens for Community Direct Investment (CDI).

LEGEND:

	Tobacco		Alcohol		Gambling		Pornography
	Human Rights		GMOs		Nuclear		Weapons
	Animal Testing		Financial Services		Entertainment		Pork/Poultry

Around the World Responsible Investment Highlights

- UBS launched a framework to measure corporate social liabilities across nine industry sectors.
- Merrill Lynch issued a buy/sell report on auto sector stocks based on climate change impacts.
- Goldman Sachs correlated 42 environmental, social, and governance (ESG) criteria in the energy sector to financial performance.
- Mercer Investment Consulting has a Global SRI Group, based in Toronto.
- UN Principles for Responsible Investment launched this April. Secretary-General Kofi Annan struck the NYSE bell for the launch. Over \$4 trillion worth of investors have signed on already—the Canada Pension Plan is one of them.
- Freshfields Bruckhaus Deringer wiped out the notion that fiduciary responsibility precludes consideration of environmental, social and governance (ESG) factors, concluding, rather, that fiduciary duty not only allows ESG considerations, it sometimes requires them.

The sdEffect Translation Framework

Question: How do you get a CFO to buy into sustainability?
Answer: Put it in his/her terms.

Inco's solid waste diversion Cost reductions, based on Discounted Cash Flow (DCF) analysis, translate into increase of between \$0.06 and \$0.16 in total value per share.

Teck Cominco's leading-edge Community and Employee Relations Associated risk reduction estimated using Rules of Thumb analysis to be valued at \$4.24 per share.

Check out the sdEffect, previewed at the World Economic Forum in Davos this January. www.sdEffect.com

WHAT THE RANKING IS AND WHAT IT ISN'T

The 2006 Corporate Knights SRI Fund Ranking is a resource designed to help investors make an educated judgment on which funds have done the best job of fusing the social, environmental, and financial values they bring to the table. Investors can best utilize our chart by making their own assessment based on each fund's characteristics.

METHODOLOGY BRIEF: Shield Score is based on the following weighted scores:

SRI RESEARCH INTEGRATION	12.50%
COMMUNITY INVESTMENT	6.25%
NON-SRI PRODUCTS	6.25%
ENGAGEMENT	15.00%
DISCLOSURE-VOTING RECORD	5.00%
DISCLOSURE-VOTING POLICY	5.00%
PERFORMANCE (1 & 3 YR)	50.00%
TOTAL:	100.00%

We used a blend of 1-year and 3-year relative performance. For funds with less than 3 years of history, we used the 1-year performance. For a full breakdown of how funds scored in each of the above categories, go to www.corporateknights.ca



FUND LIBRARY RESEARCH GROUP

Performance data as of Mar. 31, 2006 provided by Fund Library Research Group (www.fundlibrary.com/research) and Fundata Canada. All non-performance data obtained from the Fund Companies.

NEW FUNDS

This is a list of the newly-launched SRI funds in the past 12 months:

- INHANCE BALANCED FUND CLASS M
- INHANCE CANADIAN EQUITY FUND CLASS A
- INHANCE MONEY MARKET FUND CLASS A
- INHANCE MONTHLY INCOME FUND CLASS A
- ETHICAL ADVANTAGE 2010 FUND
- ETHICAL ADVANTAGE 2015 FUND
- ETHICAL ADVANTAGE 2020 FUND
- ETHICAL ADVANTAGE 2030 FUND
- ETHICAL ADVANTAGE 2040 FUND
- ETHICAL TAX MANAGED AMERICAN EQUITY FUND
- MERITAS MONTHLY DIVIDEND AND INCOME FUND

SEARCHING FOR THE ETHICAL INVESTOR

Canadian cultural icons who invest with values

“Don’t tell me where your priorities are. Show me where you spend your money and I’ll tell you what they are.” — James W. Frick

Late last fall, I launched a search for the next Canadian idol (small ‘i’). Unlike the hit show of the same name, my search required no audition, costume changes or even the ability to hit a high C. I was looking for investment idols—Canadians of influence and means who invest their money according to values and conscience.

Never suspecting I was embarking on a search of Holy Grail proportions, I eagerly crafted an A-list of names that included some of my favourite thinkers, activists, politicians, musicians, and writers. Launching round one, I sent interview requests to environmental guru David Suzuki, AIDS activist Stephen Lewis, Grammy award-winner Sarah McLachlan, and the Rick Mercer Report’s Rick Mercer.

Alas, my short-listed investment idols unanimously rejected my request—albeit with quintessential Canadian promptness and politeness. Suzuki’s was a straightfor-

ward ‘thanks but no thanks,’ McLachlan was flattered but spending time with her family, Lewis was out of the country, and Mercer wasn’t interested.

With empty dance card in hand, I revamped my pitch and sent it off to Alanis Morissette, Margaret Atwood, Douglas Coupland, Jack Layton, and the Barenaked Ladies (surely, they had a million dollars by now). Another round of rejections left me zero for nine.

A journalistic funk eclipsed my Pollyanna enthusiasm. Sure, the fact that I couldn’t find any Canadian icons to talk about their money—faux pas—and where they invest it—faux pas de deux—made for an interesting angle to the story, but the entire 1,000 words it wouldn’t make.

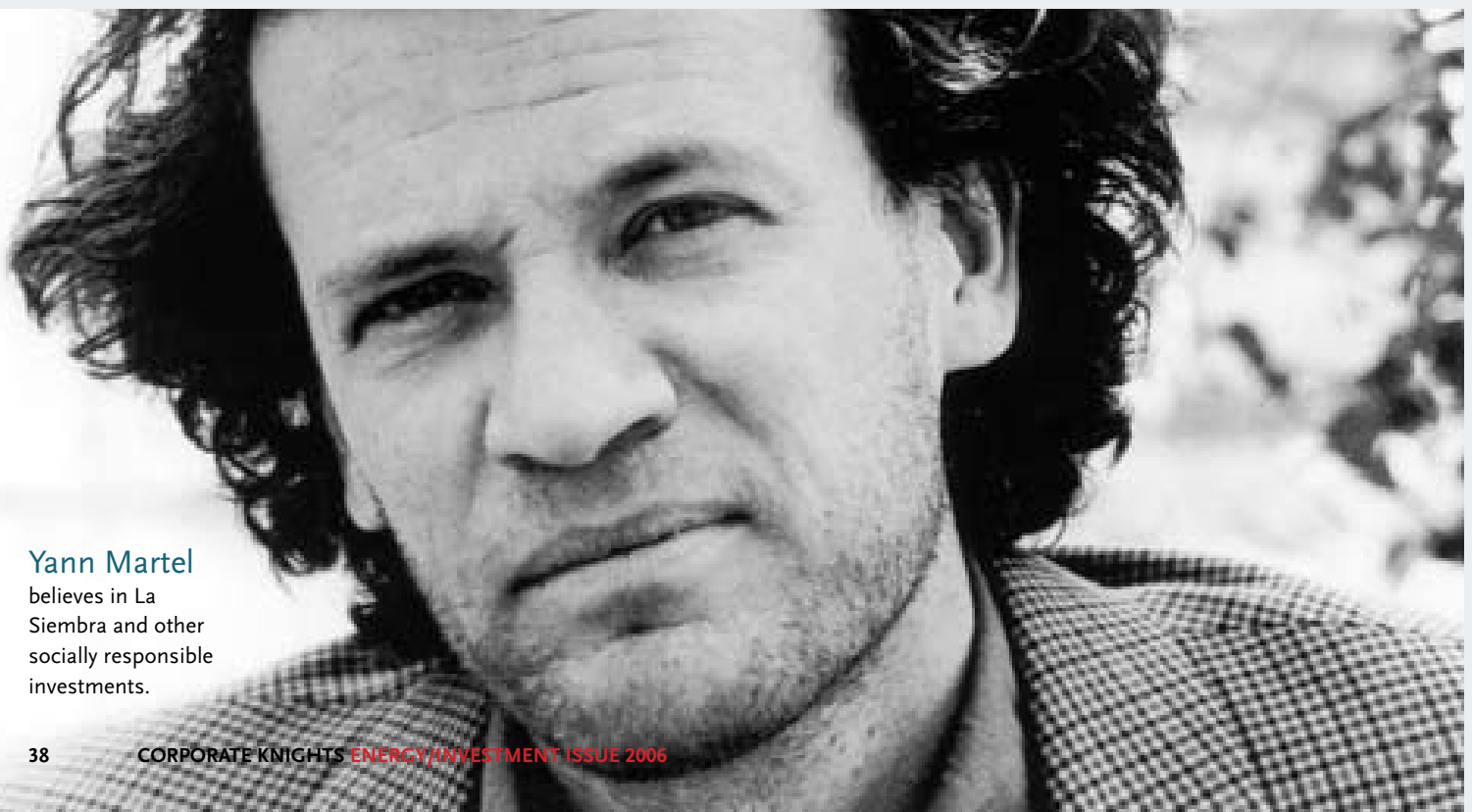
A week before my deadline, I got my break. Eugene Ellmen of the Social Investment Organization sent me a quote by Yann Martel—the Man Booker prize-win-

ning author of *Life of Pi*: “in the battle between our conscience and our pocketbook, our conscience must win.” Using Google’s nimble navigation, I narrowed the degrees of separation between Martel and me and was rewarded late one Friday afternoon with a message on my answering machine: Martel, a self-confessed big fan of *Corporate Knights* magazine, agreed—happily no less—to do the interview. Like Pi Patel, the hero of his novel, I was rescued. I now had a story.

Speaking a few days later from his home in Saskatoon—where he just finished a DIY bathroom renovation—Martel talked about his efforts to align his pocketbook (thicker, thanks to Booker bounty) with his conscience. A devout vegetarian and yoga practitioner, he first minimizes consumption and then makes ethical decisions for what remains. “Sure, it costs to have a conscience but I think it costs more not to have

Yann Martel

believes in La Siembra and other socially responsible investments.



one,” he said.

Martel’s marquee social investment is in La Siembra, a Canadian cooperative that distributes fair-trade organic goods produced by small farm families in the Dominican Republic and Paraguay. “I learned about La Siembra’s investment model from a friend—I was already buying some of their products—and I was impressed by their commitment to paying a living wage to farmers in developing countries.”

Martel is a marketing director’s dream—just ask Barry Ésau, Senior Marketing Manager at La Siembra. “Yann’s support goes far beyond his capital investment in the co-operative,” says Ésau. “He is a respected voice, so when he says that fair trade can change the world, people tend to listen.”

Ésau’s not kidding. Martel truly believes that fair trade will change the world: “I think the fair trade movement of today will do for workers in the majority world what the labour movement did for American workers in the early 20th century. I’m optimistic that when people are offered consumer and investment alternatives that support living wages, respect human rights, and protect the environment, they will change their behaviour. I’d hate to think that we’re so ethically anesthetized that we would knowingly choose products that are packaged in global suffering and injustice.”

The reality is that we do live in an anesthetized world where mainstream marketing reassures us that price should trump principles because not only do we “work hard for our money” but we “deserve a break today.” Eventually the numbing effect of the anesthesia will wear off and as we regain consciousness, we’ll have to decide what to do with it.

Socially responsible investing (SRI)—which covers investment screening on social and environmental issues, shareholder

advocacy to improve corporate responsibility, and community investments like those in La Siembra—is catching on in Canada. According to recent surveys, more than 10 per cent of Canadians are very interested in SRI and another 40 per cent more are somewhat interested. Yet, only 300,000 Canadians—representing less than one percent of the total capital pool—actually walk the talk and park their funds ethically.

Ellmen, who linked me to Martel, explains that while the demand side of the equation is primed, the supply side is both illiterate and indifferent to SRI. “Right now, two-thirds of investors say that their financial planners don’t even mention ethical funds or other socially responsible investments,” says Ellmen.

Is the omission due to innocent oversight or intentional pragmatism? Consider that most Canadians purchase their investments from mainstream financial institutions, none of which offers an in-house portfolio of ethical funds. So, if a potential investor brings up social and environmental issues—like maybe not feeling so great about underwriting Burma’s military junta or clear-cutting the Amazon Rainforest—many advisors, being unschooled in the social side of investing, may blow the dust off of an Ethical or Meritas fund prospectus and grudgingly agree to middleman the deal. Not exactly the kind of promotion that will push SRIs past the tipping point.

Even Martel concedes that not all his investments run the gauntlet of ethical screening. “With my other investments, I stipulated that they not support tobacco or armaments manufacture but beyond that, I left it to my financial advisor,” says Martel. “The unexpected thing about coming into money is how complicated it makes everything. Poverty is a much simpler way of life.” **CK**

Alison Mahmudi-Azer is a western-Canadian based writer and researcher.

Micro-Credit in the Valley: The Circle of Habondia Lending Society (www.habondia.kics.bc.ca) began almost a decade ago in BC’s Slocan Valley by a group of women meeting around a kitchen table. They had the idea and the vision for pooling resources to offer micro-credit loans to local women but needed initial investors. Serendipitously, local author K. Linda Kivi heard about the idea and offered up the seed capital to get the fund going. Today, Habondia – meaning the Celtic Goddess of Abundance – has lent out 62 loans (up to \$1,000 each) without a single default. Funds have been used for a variety of causes like stocking a pantry for a start-up catering company, repairing a broken roof on a home-based business, and replacing a washing machine.

Amnesty International’s Share Power Campaign: Amnesty International is asking Canadians to write to select Canadian companies – Alcan, Chevron Corp., Dow Chemical, Enbridge Inc. and Ivanhoe Mines – regarding human rights concerns associated with their operations. By March, agreement has been reached with Alcan over stakeholder engagement (issues relating to the company’s bauxite mine in India remain outstanding) and with Enbridge over ecosystems claimed by Indigenous peoples. Ivanhoe Mines, conversely, rejected the shareholder resolution regarding the company’s security arrangements in Burma. (www.amnesty.ca/campaigns/sharepower/)

SRI Down Under: The Australian government is studying how to best induce corporate social responsibility weighing the balance between regulatory requirements, voluntary incentives, and market-based inducements. Its goal of mainstreaming SRI, is supported by compulsory guidelines introduced in December 2003 by the Australian Securities and Investments Commission that require disclosure of how social, environmental, and ethical considerations inform investment decisions. Plans for certifying ethical fund advisors are also in the works.

Nestlé’s Fair Trade Furor: The world’s number one food group has triggered a debate between fair trade purists and pragmatists with its introduction of a fair trade coffee line. The “Partners Blend” coffee made from beans grown by smallholders in El Salvador and Ethiopia will have the Fairtrade certification guaranteeing developmental, employment and environmental standards. Some celebrate the news as a sign that fair trade has tipped into the mainstream, others – who’ve been boycotting Nestlé for decades – call it an über-caffeinated sell out.

Dicaprio’s SRI Endorsement: Canadian investment idols may be reluctant to go public, but south of the 49th, Leonardo DiCaprio is fully out of the SRI closet. A vocal environmentalist, the actor has endorsed ethical investing as a tool for creating social change. An interesting twist – Yann Martel’s *Life of Pi* is being scripted for the silver screen and the oceanic scenes are rumoured to be filmed at the Titanic’s Mexican set. No word yet if Céline Dion will croon Pi’s theme song.

A Rose by any Other Name: Fair trade enthusiasts can now buy flowers that carry the sweet scent of social and ecological consciousness. Eco Flora (www.ecoflora.ca) is one of Canada’s online floral boutiques that offer wildcrafted, organically grown, and fairly traded blooms.

SHORTING THE BAD GUYS

Hedge fund strategy punishes environmental, social, and governance laggards

Shorting—it sounds like a playground prank (pulling down the trousers of unsuspecting victims, or maybe bonking them on the head so hard they shrink a bit), but it is actually a sophisticated investing technique for profiting from declining stock price. Also known as short-selling, this hedge fund tactic involves getting brokers to lend you shares in overvalued companies teetering on a precipice, selling them before they plummet, and then repurchasing them at the bottom of the trough to return to the brokers, pocketing the differential.

While the strategy traditionally focuses on tangible financial metrics of overvaluation, socially responsible investing (SRI) practitioners are increasingly using shorting to target companies overvalued due to “intangible” environmental, social, or governance (ESG) problems. SRI shorting thus represents a double whammy, punishing not only financial weaknesses, but also the underlying ESG shortcomings that drain financial strength.

Shorting may, in fact, be more effective at promoting improved corporate ESG performance than other SRI “sticks” (such as exclusionary screening, shareholder activism, or divestment) or “carrots” (such as positive screening which rewards positive ESG performance with investment or inclusion in SRI indexes).

“Shorting is, anecdotally at least, even more effective in getting the attention of CEOs and CFOs than other SRI tactics—more than being in or out of an SRI index,” says Matthew Kiernan, chief executive of Innovest Strategic Value Advisors, a financial advisory research firm introducing a hedge fund product. “Shorting is much more serious for their share price and, sadly, even the best SRI indexes have very little practical impact and credibility on Wall Street.”

Innovest is launching the “Carbon Beta™ Basket,” a hedge fund focusing on risks and opportunities associated with climate change by shorting companies with weak carbon management profiles. The product also uses the standard hedge fund strategy of counterbalancing short-selling with long positions, specifically focusing on companies with strong management on carbon issues.

The Carbon Beta methodology assesses industry-, geographic-, and company-specific data. On the industry level, for example, Innovest’s 14-person ‘carbon finance’ and ‘clean technology’ team utilizes a three-pronged approach to examining climate change intensity on a 1 (lowest exposure) to 5 (highest exposure) rating basis.

First, the team examines direct climate change intensity—for example, steel makers directly emit carbon dioxide in the coking process.

Second, it looks at indirect climate change intensity—for example, aluminum producers rely on large amounts of electricity, which in turn may produce large carbon dioxide emissions if reliant on fossil fuels.

Third, it evaluates climate change demand sensitivity, ranging from high-demand sectors such as oil and gas and automotive, to those sectors that support high- and low-carbon emissions such as finance and insurance, as well as sectors with significant opportunities (such as energy generation technology manufacturers).

Finally, the Innovest team calculates a weighted average of these three indicators to come up with climate change combined intensity. Using this methodology, Innovest determined the 10 industries most exposed to climate risk, with electric utilities topping the list with a combined intensity of 4.9, followed by construction materials at 4.3 and oil, gas, and combustible fuels at 4.2.

On the company level, Innovest looks at seven factors, including energy efficiency and source mix, geographic locations of production facilities, product mix, company-specific risk management capabilities, and ability to identify and capture upside and revenue opportunities.

“On top of the ‘social activism’ dividend, the beauty of shorting is that it uses all (not just half or less) of the information and intelligence one has about a company, so it’s a much more efficient leverage of the research and insights,” says Dr. Kiernan. “On top of that, most of our research suggests that the strongest ‘alpha signals’ generated by our analyses are ‘in the tails.’”

In other words, companies placing in the

bottom quintile of Carbon Beta assessment are also underperforming the market, making them ripe targets for shorting, while top quintile companies tend toward positive alpha (or market outperformance), making them prime candidates for staking long positions.

“Why would we leave 50 per cent or more of the outperformance potential on the table?” Dr. Kiernan asks. “The only negative is that, unless you put in stop-loss provisions, your losses on shorts are theoretically infinite—not exactly an insignificant risk.”

For this reason, hedge funds are not available to the general public but rather to sophisticated high net worth private investors or institutional investors.

While the Innovest Carbon Beta Basket is the first SRI hedge fund to short based on climate change risk, it is by no means the first SRI hedge fund. Green Cay Asset Management launched an emerging markets hedge fund in 1997, a global technology hedge fund in 1999, a US equity relative value hedge fund in 2001, and a global hard asset hedge fund in 2003—all of which short companies with environmental mismanagement or employee mistreatment.

“We call companies with bad values and tell them we’re shorting them and why,” says Jane Siebels-Kilnes, Green Cay’s founding CEO. “The last call a company wants to receive is one telling them you’re shorting their stock—we get reactions, we have had companies change.”

There are a handful of other SRI hedge funds that employ shorting tactics. For example, Winslow Management Company offers a hedge fund that shorts based on environmental performance. The new Coolum Strategus SRI Hedge Fund from Armajaro Asset Management (with Strategus as advisor) uses SRI research from UK-based Ethical Investment Research Services (EIRIS) to identify environmental, social, and governance laggards amongst pan-European equities as shorting opportunities. **CK**

Bill Baue is a senior financial writer with Socialfunds.com.

The Unlearned Eyes of George Perkins Marsh

by Dr. Blair W. Feltmate • gbfeltmate@rogers.com

OVERVIEW

The purpose of this paper is two-fold: first, to bring familiarity to Marsh and his great work, *Man and Nature*, which is arguably the most insightful book ever written on human-induced impacts on the environment; and second, to suggest some lessons of history, applicable to the management of contemporary environmental challenges, that have been generally ignored by business, government, and academe. This second point is discussed within the context of Marsh's teachings on three topics: tragedy of the commons, climate change, and food web dynamics.

When George Perkins Marsh (1801–1882) wrote *Man and Nature*, or *Physical Geography as Modified by Human Action* (1864), he described for the first time in the English language the worldwide impact of humans on the natural environment. In the introduction to his book, Marsh encompassed his core thesis when he wrote, “the importance of human life as a transforming power is, perhaps, more clearly demonstrable in the influence man has exerted upon superficial geography than in any other result of his material effort.”

Throughout his book, Marsh not only documented the impact of humans on superficial geography, but he offered insights into where such impacts might lead. At times, Marsh's insights were so profound that it is almost eerie to think that he formulated them before the advent of the automobile, our great dependence on oil, mechanized forestry, and before most modern means of mining and factory production had been developed.

WHO WAS GEORGE PERKINS MARSH?

Marsh travelled extensively and was impelled to write *Man and Nature* based on his deeply rooted passion for nature and the end towards which humankind was forcing it. Philosophically, Marsh's view was that, “Man has too long forgotten that the earth was given to him for usufruct alone, not for consumption, still less for profligate waste.” In realizing the true character of nature and being aware of the human potential for enrichment, Marsh found the gradual perversion of both unacceptable.

Marsh, the mighty “prophet of modern conservation,” was not an ecologist but a self-trained, small-town Vermont lawyer and politician, a self-styled mechanic, a professional diplomat (United States Minister to Italy and Turkey), an omnipotent scholar who spoke twenty-one languages, a student of past civilizations, and a founding mem-



George Perkins Marsh

The mighty prophet of modern conservation

ber of the Smithsonian Institution. Actually, most of Marsh's associates viewed him as a linguist, historian, and litterateur. Even Marsh's publisher considered his scientific abilities to be minimal, and when he received the manuscript for *Man and Nature* he went so far as to urge Marsh to pursue and prepare a textbook, “in the department of English languages and literature of which you are the acknowledged head.” With admirable modesty, even Marsh asserted that *Man and Nature*, “makes no scientific pretensions and will have no value for scientific men, who will, of course, condemn it as trash, which very likely it is, but it may interest some people who are willing to look upon nature with unlearned eyes.” Through unlearned eyes Marsh saw much in the relationship between *Man and Nature*.

MARSH ON TRAGEDY OF THE COMMONS

One of Marsh's more notable insights pertaining to the human potential to exploit natural resources was his foreshadowing of the modern day concept “tragedy of the commons.” Tragedy of the commons refers to a situation where a commonly held resource, for example fish in the open ocean,

is depleted to the point where it can no longer maintain a viable population due to the cumulative impact of individuals who repeatedly exploit its harvest. Marsh portends aspects of tragedy of the commons in his comment that: “man pursues his victims with reckless destructiveness; and, while the sacrifice of life by the lower animals is limited by the cravings of appetite, man unsparingly persecutes, even to extirpation, thousands of organic forms which he cannot consume.” Marsh substantiates his contention by documenting the human extirpation of species such as the bison of North America, wild cattle of South America, elephants of Africa, and the walrus and narwhal of the Arctic. Indeed, Marsh particularly lamented, and spoke often, of the cavalier destruction of 50 million bison from the central plains of North America during the period 1500–1900.

In referring to the impact of humans on the environment, Marsh was not impractical and he conceded that, “a certain measure of transformation of terrestrial surface [...] and stimulation or artificially modified productivity becomes necessary.” Rather, his disapproval of the human impact on the natural world related to the scale of anthropogenic transformation, noting the human tendency for the extirpation of species, and particularly for what Marsh considered a near malevolent disregard for forests: “He [man] has felled the forests whose network of fibrous roots bound the mould to the rocky skeleton of the earth; but had he allowed here and there a belt of woodland to reproduce itself by spontaneous propagation, most of the mischiefs, which his reckless destruction of the natural protection of the soil has occasioned, would have been averted.”

MARSH ON CLIMATE CHANGE

Few events, with the possible exception of a potential nuclear exchange during the Cold War, have captured world attention as has

the prospect of global warming in the late 20th and early 21st centuries. More specifically, the practice of deforestation – one of many factors linked causally to climate change/global warming—was a major point of focus at the Earth Summit in Rio de Janeiro, 1992, and a series of subsequent summits. As prevalent as this concern is today, it is difficult to fully appreciate that Marsh, in 1864, with great intuition and little empirical evidence, articulated linkage between a country’s “floral assemblage” and climate. He suggested that, “very probably, the climate of a given country depends much on the character of the vegetable life belonging to it.”

In *Man and Nature*, Marsh developed his hypothesis regarding the relationship between ecosystems and climate change—which, collectively, document the degree to which he was “ahead of his time”—under the following headings: Influence of the Forest, Considered as Inorganic Matter, on Temperature; Influence of Forests on the Humidity of the Air and the Earth; Influence of the Forest on Temperature and Precipitation; Climatic Effects of Draining Lakes and Marshes; Geographical and Climatic Effects of Aqueducts, Reservoirs, and Canals; Surface and Underdraining, and Their Climatic and Geographical Effects; Irrigation and its Climatic and Geographical Effects; and, Total Influence of the Forest on Temperature.” Under the last of these headings, “Total Influence”, Marsh acknowledged that the many pathways linking climate and vegetation are so complicated that a solution to their interactions is, at the very least, difficult if not impossible to determine. However, despite absolute evidence of cause and effect, Marsh references numerous smaller observations that support the supposition that climate and vegetation cover are linked, and he uses words mirroring those of modern climatologists to admonish that “the clearing of a great country may react on the climates of regions more or less remote from it.”

The link between the removal of forests and potential impacts on lakes and streams was examined in detail by Marsh, demonstrating his understanding of how environmental impacts can cascade through a system and actually cross the terrestrial/aquatic boundary: “The face of the earth is no longer a sponge [...] and the floods which the waters of the sky pour over it hurry swiftly along its slopes [...] and, augmented by the sand and gravel of falling banks, fill the beds of the streams, divert them into new channels and obstruct their outlets. From these causes [...] the channels of great rivers become un-

navigable, their estuaries are choked up, and harbours which once sheltered large navies are shoaled by dangerous sandbars.”

As the above passage indicates, Marsh recognized the economic and environmental costs that can result from the careless stripping of forests and the subsequent blockage of waterways. He supported this claim by referencing the impact of anthropogenically induced erosion on partial blockage of the mouths of the Amazon, La Plata, Ganges, and Mississippi Rivers.

Marsh’s observations, pertaining to the tragedy of the commons and climate change, characterize the myopia that Marsh feared in people, and they illustrate a lesson of history applicable to the modern world: “always be cognisant of how an initial change in input to an ecosystem may affect an unnatural cascade of events. Be aware that the expression of change may be realized far from the source of the initial input, and in some cases beyond the borders of the ecosystem itself.”

MARSH ON FOOD WEB DYNAMICS AND CHAOS THEORY

Studies of food web dynamics and chaos theory have drawn increasing attention in the ecological literature over the past decade. Specifically, a feature of food webs, “chaos and complex interactions,” is the sensitive dependence of food webs on initial conditions in which small changes in input to the web (e.g., the introduction of an exotic species) may have large effects on the ultimate structure of the food web. Evidence supporting this phenomenon comes from experiments conducted using aquatic microcosms, in which micro-food webs were shown to be sensitive to the initial sequence in which species were introduced into individual microcosms.

In outlining his thoughts on the potential for humans to affect biotic communities through the elimination or addition of species, Marsh articulated the principles of how chaotic forces might affect food webs, and hence cautioned against the cavalier treatment of species as expendable and/or irrelevant. He warned that: “The existence of an insect which fertilizes a useful vegetable may depend on that of another, which constitutes his food in some stage of his life, and this other again may be as injurious to some plant as his destroyer is beneficial to another. The equation of animal and vegetable life is too complicated a problem for human intelligence to solve, and we can never know how wide a circle of disturbance we produce in the harmonies of nature when we throw the smallest pebble into the ocean of organic life.”

Marsh summarizes his thoughts on the need to ensure the survival of species by suggesting that humans usually take their measure of the importance of an organism from its size relative to themselves. For example, people habitually regard whales or polar bears as important creatures because they are relatively large, and conversely the animalcule as small and irrelevant. This observation, by which people view the importance of a species, is as apropos today as it was in the 19th century. Perhaps contemporary society should adopt a more elevated sense for establishing the value of a species, and heed Marsh’s advice to hold all “works of creation” in higher esteem.

At least two lessons of history can be proposed based on Marsh’s observations regarding food web dynamics: “always recognize the potential for chaotic forces to affect large-scale ecosystem change. Try to anticipate the widest range of outcomes which may reasonably occur in response to seemingly innocuous inputs,” and “always recognize value in all components of the ecosystem, starting with the least conspicuous plants and animals. Minimize your impact on all of the interdependent components of ecosystems.”

IN SUMMARY

Experts in most disciplines tend to appreciate the history of their field. For example, it would be difficult to find a political scientist not familiar with the lessons of Alexis de Tocqueville’s *Democracy In America*, a philosopher who had not benefited from Plato’s *Republic*, or an economist who had not studied Adam Smith’s *Wealth of Nations*.

In contrast, and for reasons beyond the scope of this paper, environmental practitioners tend to have a limited, and lamentable, appreciation for the history of their discipline. As discussed, even a brief review of the writings of George Perkins Marsh yields lessons of history that, if understood, could provide guidance to ameliorate a host of contemporary environmental challenges. By considering the breadth of lessons that may be similarly derived through reviews of the works of Marsh’s intellectual peers—for example, John Muir, Henry David Thoreau, Aldo Leopold, Gifford Pinchot, Paul Sears, Frederick Law Olmstead, James Harkin, and Arthur Tansley—environmental leaders in business, government, and academe could serve their mandates well. **CK**

Dr. Blair W. Feltmate’s research interests range from sustainable investing to river ecosystems.

THE DOOMSAYERS

Jared Diamond and Ronald Wright

by Claudia Stoicescu

History swells with doomsayers. And we, with apathy.

From Thomas Malthus in the 18th century to Paul Ehrlich in 1969, we have taken most dire warnings as soap-style entertainment, and instead, turned to technology as a modern messiah.

But two new doomsters, an American and a Canadian, are selling fast. Pulitzer-winner Jared Diamond (*Collapse*, 2005) and Massey-lecturer Ronald Wright (*A Short History of Progress*, 2004) simultaneously and unknowingly researched and wrote the latest best-selling laments on the sorry state of the world. They argue that societies have continually tended to be victims of their own achievements, failing to tackle impending environmental problems that ultimately lead to their collapse. The lessons are overwhelming given current ecological debates and the materialist existence that snugly insulates us from them all. We must change our ways in order to prevent a disastrous collapse. Sounds gloomily familiar? This time, history may prove them right.

A bird watcher since age seven, Jared Diamond, now 68, obtained his Ph.D. in physiology from Cambridge University but expanded to studying bird diversity in New Guinea as a conservation biologist. An elected member of the American Academy of Arts and Sciences, the National Academy of Sciences, and the American Philosophical Society, Diamond now teaches geography at the University of California, Los Angeles. He is the author of two other widely acclaimed books on human reproductive biology, psychology, and history: *The Third Chimpanzee* (1992), winner of Britain's Rhone-Poulenc Science Book Prize and The Los Angeles Times Book award, and *Why is Sex Fun?* (1998). A prominent science writer, Diamond has published over 200 articles in *Discover*, *Natural History*, *Nature*, and *Geo* magazines. He prides himself on having been "a good husband to my wife and a good father" to his twin sons and on having written *Collapse*—the two major things he believes have made a

real difference.

Collapse is Diamond's nearly 600-page sequel to his intricately-detailed (and equally lengthy) *Guns, Germs, and Steel* (1997), which explains why technological progress advanced more rapidly in some parts of the world than in others over the last 13,000 years, ultimately endowing Western Europe with the means to conquer the New World—rather than vice versa—and remain on top. Diamond posits that environmental determinism, and specifically, the ways in which different societies respond to surrounding environmental conditions and looming catastrophes dictate either their endurance or their downfall.

In his newest book, Diamond undertakes the gargantuan task of using history, through the examination of past mistakes and successes, to identify and confront contemporary environmental problems threatening the plentiful existence of the world's leading nations. Today, globalization makes the isolated collapse of modern societies virtually impossible; trouble in one place is trouble everywhere. The same ancient concerns, plus four new ones—climate change, build-up of toxic chemicals, energy shortages, and maximum exploitation of Earth's photosynthetic capacity—will get solved in the next few decades. It's up to us to anticipate these calamities: we can undermine them or they will undermine us.

Collapse presents case studies of several fallen societies, including the Polynesians of Easter Island, Norse Greenland, the Anasazi, and the Mayans, but also analyzes the factors that allowed other cultures, such as those in Tonga, Tikopia, Japan, and the New Guinea Highlands, to endure. Not only did Diamond find that environmental degradation, specifically deforestation, was a defining factor in the fall of these societies, but their failure to address the problems once they were detected played a major role in their catastrophic decline. His purpose is to juxtapose then and now, tease out the relevant lessons, and apply them: we may not live on an isolated, strife-ridden island in the South Pacific, but we

do inhabit a finite mass of earth floating in space and plagued by conflicting interests. Like Easter Islanders, we, too will perish if we cut down our last tree.

To prevent Diamond's "collapse," society must urgently and radically reappraise its core values and adapt to changing times. "Ecocide"—rapid societal decline due to a plethora of disregarded environmental problems—is now a bigger threat to global civilization than nuclear war or large-scale epidemics. Diamond's solution is the implementation of sound environmental regulation at all levels of government in a number of forms—from negative sanctions to positive rewards.

"It has to be a mixture of strategies," says Diamond. "Ultimately it's up to the consumer and the government to achieve progress in environmental policy and make destructive practices illegal and unprofitable. It's not easy. Many businesses, in the absence of legislation and regulation, can make money by making messes." He names numerous obstacles, including "environmentally-dirty facilities constructed before more recent availability of cleaner technologies" and "operations under the auspices of corrupt and abusive governments (Nigeria, Indonesia)." Yet without business, positive change can be seriously delayed, and thus risk arriving too late.

"If environmentalists aren't willing to engage with big business, which are among the most powerful forces in the modern world," writes Diamond, "it won't be possible to solve the world's environmental problems. The interests of big business, environmentalists, and society as a whole coincide more often than we think."

Diamond argues that corporate social responsibility (CSR) is not—and cannot be—built into the practice of corporations unless it is required by law. Since the single lawful responsibility of a company is to make money for its stockholders, a company that "does good" and thereby loses on behalf of stockholders in acting illegally, rendering itself vulnerable to stockholder lawsuits.

"Ultimately, CSR is something that's

made by the consumer in one of two ways,” argues Diamond. “One is through pressuring elected representatives to pass laws and regulations, and the other is through consumer choice (buying from business whose policies you like and boycotting and not buying from other businesses.)” In this way, doing “virtuous things” makes corporations money and hence becomes lawful if consumers choose to purchase only from companies they ethically agree with.

Diamond, a fan of economist Jeffrey Sachs, former German chancellor Konrad Adenauer (a father of the European Union), and British statesman Winston Churchill, works tirelessly to promote consumer awareness. An advocate of variety, he tries to get the message out in various ways. In addition to readying himself to write another book, Diamond recently had a PBS

Yet the claim of the undersized book is as articulate and lucid as it is succinct.

Wright travels back in time to the hulking Neanderthals, suggesting that their extinction overlapped with their gradual assimilation (forced or voluntary) with the Cro-Magnons, our lankier ancestors. The eventual development of agriculture preceded the expansion of organized, stratified societies to manage the surplus. Civilizations such as the Romans, the Sumerians, and the Mayans rose and fell. At every stage of human history and in every fallen civilization, humans became too good at exploiting their ecological environment, squeezing the zest out of it until scarcity of resources led to violence, political turmoil, and ultimately, ruin. Wright points to ancient hunters who got so good at hunting that they wiped out their game and starved,

the consumerist wave; the myth that the economy can expand forever is an obvious falsehood. The world just can't support that many consumers.”

Wright dubs climate change the most burning issue today because “what we're going to see is more instability—not just gradual warming—in more parts of the world.” If climate change is to take its toll, Wright predicts crop failures in several of the world's breadbaskets, pointing to the possibility of mass starvation and increasing political chaos.

Regulation and individual action may save us. He agrees with Diamond that the steering wheel is in the public's grip, and not just at the political level.

“At the personal level, we must cut down on consumption and avoid those companies that are hostile to conservation,” ad-

“What we have to do most urgently is abandon our blind faith in new technologies. We cannot invent our way out of all problems”

documentary based on *Guns, Germs, and Steel* released and a traveling museum exhibit opened in Los Angeles last May.

“There are those who read 500-page books and others who don't,” he says, “and we have to get to them by all possible means.”

An archeologist by training, Ronald Wright has built himself a career as a novelist, essayist, historian, and acclaimed travel writer translated into 10 languages. Born in London, England in 1948, Wright was educated, like Diamond, at Cambridge and later at the University of Calgary. His roster of non-fiction includes *Stolen Continents* (1993), winner of the Gordon Montador Award, *Home and Away* (1994) and *Time Among the Maya* (1990). His first novel, *A Scientific Romance* (1997), a futuristic dystopia meant to “scare people into seeing the world's problems,” was, like Diamond's *Guns, Germs, and Steel*, a precursor to Wright's most dire warning yet: *A Short History of Progress* (2004). Using much of the same research he did for *A Scientific Romance*, Wright set out to lay the facts bare: unless we cease our wasteful and ignorant ways, civilization will plunge into a swift, downward spiral. Compared to Diamond's chunky *Collapse*, Wright's volume is brisk and about 300 pages lighter.

and farmers who grew so good at managing the land through extensive irrigation systems, that they poisoned the soil with salt. We, too, now stand at a crucial historical crossroads, about to walk into the same “progress traps” that our predecessors have rotted in.

“What we have to do most urgently is abandon our blind faith in new technologies,” warns Wright. “We cannot invent our way out of all problems. Many of the new technologies we are toying with, such as nanotechnology and genetic engineering, have an enormous range of unforeseeable and unintended consequences and could prove even deadlier than some of the traps we've fallen into in the past.”

Although both Wright and Diamond stress the interconnectedness of all contemporary issues and the urgency of addressing them simultaneously, Wright singles out consumption trends and climate change as two of the most severe problems yet. Unless society ceases its consumerist binge and alters its ideal of ever-expanding “material progress,” it will not be able to avert a rapid decline.

“It isn't just a matter of having too many people,” he explains. “It's a matter of having a large number of people who are consuming too much, specifically in the richer countries. China and India will soon join

Wright. “I don't buy Exxon Mobil gasoline anymore after I found out that they actively lobby against the Kyoto Protocol.”

Business must be a leader in clean innovation, insists Wright, not only to ensure the stability of its bottom line, but in order to survive.

“The innovative companies which move into green technologies are the ones that are going to prosper in the immediate future,” he cautions. “The dinosaurs that pretend nothing has changed are the ones that will go extinct.”

Wright, an avid traveller, continues to spread the message. Since his lectures at Massey Hall in 2004, he has received numerous invitations to speak. He plans to continue writing in hope that more people will begin to change their ways—and pressure others to do so—sooner.

The question remains: is it really that bad?

In March 2005, the UN released its Millennium Ecosystem Assessment (MA), the most comprehensive and far-reaching ecological assessment of the planet's health thus far. Launched by UN Secretary-General Kofi Annan in June 2001, the MA integrated the work of nearly 1400 scientists from 95 countries. Among its findings, the MA discovered that two-thirds of the earth's

ecosystems are seriously degraded, nearly 90 per cent of the world's fish stocks are depleted, and climate change is a treacherous and immediate reality.

Are we about to cut the last tree on our island, too?

"We are doing things that are every bit as stupid and on a much bigger scale which will have consequences just as dire for the entire world as the consequences of cutting that last tree were for Easter Island," says Wright. "We've seen an area of Siberian permafrost the size of Germany and France put together start to melt and release large amounts of methane, an even more dangerous gas than carbon dioxide. For the first time, hurricanes have been detected as far east as the coast of Spain and as far south as Brazil. The alarming evidence that has come forward over the past year should be enough."

Not enough for the authors to promote a utopian revolution. Both Wright and Diamond take a cautious problem-solving approach meant to amend the current capitalist order into a sustainable one instead of dismantling it.

"Let's not chop down this tree," adds Diamond. "Instead let's plant the seeds, and try to convince our government leaders that this isn't such a crazy idea."

Diamond and Wright both have a knack for blaming our Southern neighbour, largely under the current Bush administration, for much of today's mess and ecological ignorance without writing a word about it.

"You can very well guess what I think about the present [US] federal administration, but you are not going to get me to say it," laughs Diamond. "I want my book to convince those who are not yet convinced, and there's a payoff to it. It's the difference between venting my feelings and producing results."

"There are a lot of Christian fundamentalists with a great deal of influence in the United States, both in previous administrations, such as Reagan's, and in the current one, who simply have no interest or belief in protecting the environment because they think Jesus Christ will return and put everything right," claims an infuriated Wright.

According to our two 'cautious optimists,' recent efforts to shift the global conscience toward actively managing—and reversing—the planet's ills are nothing but baby steps in the much more sweeping struggle we ought to be fighting. Despite the United States' stubborn refusal to participate in the Kyoto global partnership, the 2005 United Nations Climate Change Con-

ference—signaling the first meeting of the 140 countries that ratified the 1997 Kyoto Protocol—unfolded over ten December days in Montreal. The ensuing dialogue among more than 8,000 environmentalists and 120 environment ministers and other government leaders generated over forty major decisions to strengthen global efforts to combat climate change.

Although we may have moved a few steps past the poisoned world of Rachel Carson's *Silent Spring*, this is no time to pat ourselves on the back.

"We're talking about it, but for the most part, we aren't making progress," states Wright. "Canada is talking the talk, but not walking the walk yet."

"There have been thousands of first steps in the last 50 years; now we need millions of second steps. Yet while we are making progress in pushing business toward cleaner policies, we're also making progress toward destroying our environment. It's a situation of problems getting worse and solutions getting better," says Diamond.

"That's why I hope your article convinces 20 billion Canadians." **CK**

Claudia Stoicescu is a columnist at *Corporate Knights* magazine.



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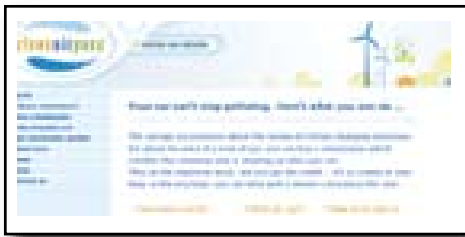
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Six websites can show you how to offset your carbon footprint

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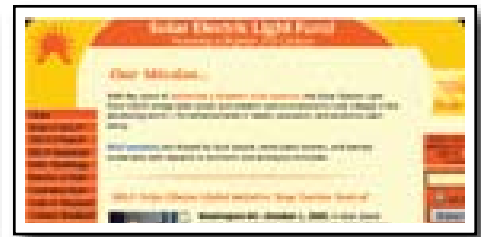
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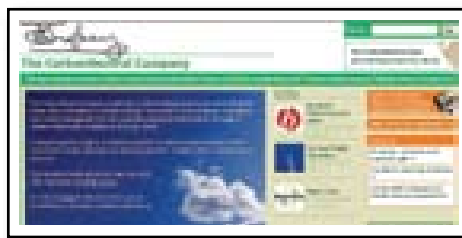
www.self.org

This is Bill Clinton's favourite carbon neutral website. Solar Electric Light Fund (SELF) is a charitable organization that brings solar power and modern communications to rural villages in the developing world. The projects that SELF funds are designed to generate clean power anywhere on the planet in a way that promotes local self-reliance and cultural autonomy.



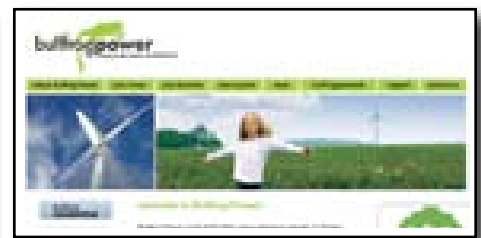
www.econeutral.com

Econeutral is a carbon neutral service for corporations and organizations. It provides the opportunity to neutralize their ecological footprint and differentiate their products in the marketplace. Econeutral branding on products is expected to increase your brand value and tell consumers that your company cares about the environment and Kyoto targets. The solution involves a slight increase in each Econeutral product's price tag, which can be recovered by targeted marketing.



www.carbonneutral.com

The CarbonNeutral Company bills itself as the world leader in helping business and consumers offset climate change. The company carries out greenhouse gas emissions assessments, identifies cost-effective emissions reduction activities, identifies offset projects that reduce local emissions, and helps businesses take advantage of these offsets. There are many case studies of carbon management projects to look at.



www.bullfrogpower.com

Bullfrog Power is the first 100% green electricity retailer in Ontario selling electricity produced from 100% EcoLogo-certified energy sources. Subscribing is painless: no special wires or equipment. Actually, you continue to draw power from the grid as always, but Bullfrog Power delivers the same amount of power to the grid. The Bullfrog Power mix is 80% from certified low-impact hydro and 20% from wind. Ordinary power is 76% nuclear, coal, oil and gas.

What if you managed your portfolio the way Ontario is managing its forests?

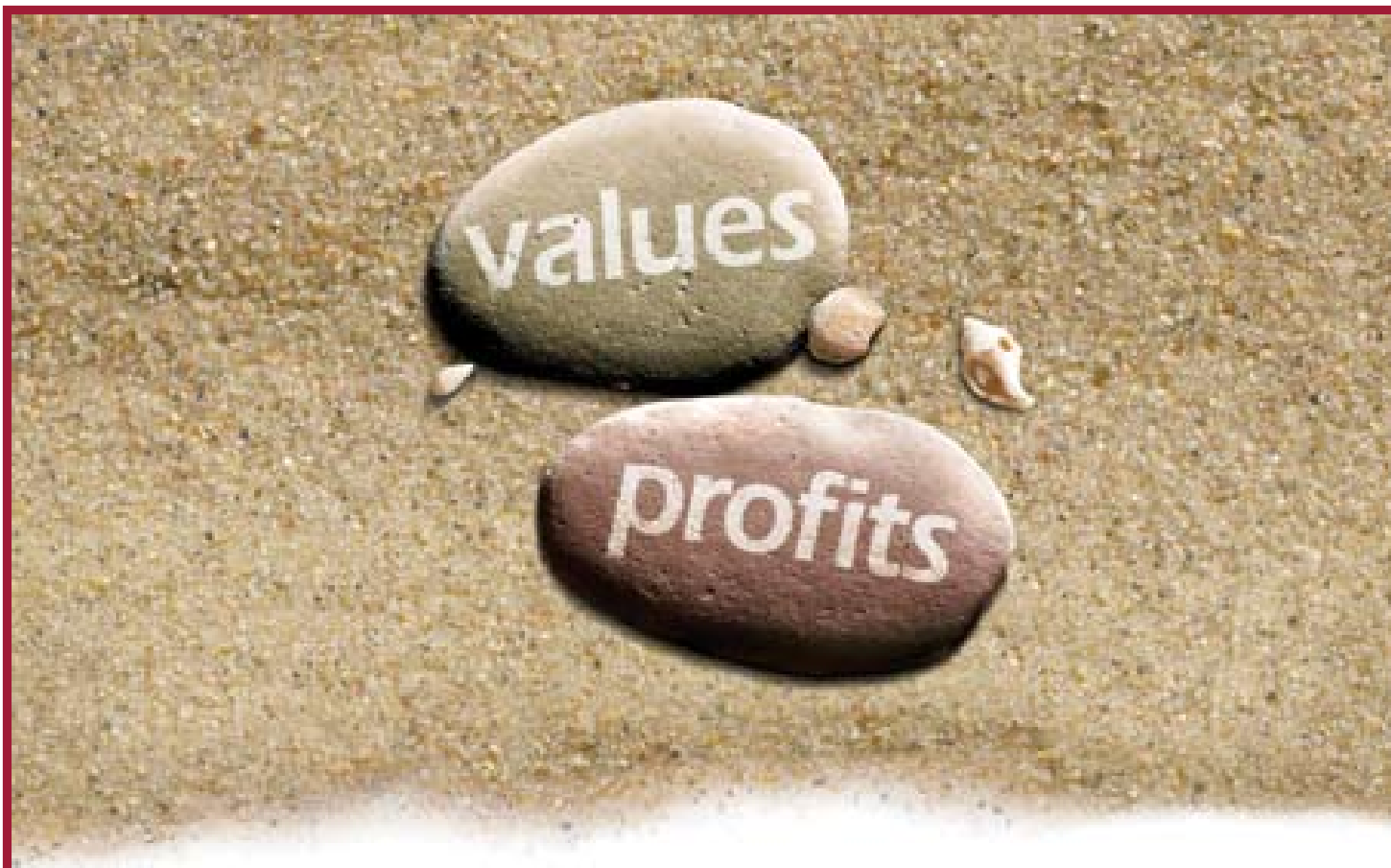


If you were in charge of managing one of Canada's most valuable commodities, you probably wouldn't pay companies to run that commodity into the ground. But that's exactly what Ontario Premier McGuinty is doing by subsidizing companies like Weyerhaeuser and Abitibi-Consolidated. He's also allowing those same companies, which are funded by banks such as TD Canada Trust and Scotia Bank, to employ ecologically devastating logging practices.

FORESTETHICS

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ForestEthics supports the Boreal Forest Conservation Framework, a vision for protection and sustainable development of Canada's entire Boreal ecosystem. For more information, visit www.forestethics.org/boreal.



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