

Thank you Gary, and good afternoon everyone. I'm delighted to be here on behalf of credit unions across Ontario. Over the next several minutes, I'd like to build on what Gary has just told you and offer up some of my own opinions about corporate social responsibility from the perspective of a financial service provider

As you just heard Gary say, for credit unions, social responsibility is a natural fit. Why? Because it's the foundation upon which we were built, and our governance model demands such responsibility. Nevertheless, I'm constantly amazed at how little recognition we receive for what I believe are significant contributions to the communities and the people we serve. But social responsibility isn't about recognition ... or is it?

I often wonder whether we have created a new definition of corporate social responsibility? Is it about who writes the biggest cheques, or is it – as I believe it should be -- about innovation and commitment? Does size really matter...when it comes to social responsibility?

As many of you know, credit unions are the most accountable and democratically run financial institutions on the planet. When you join a credit union, you become an owner with a voice and a vote. Boards of Directors, Credit and other board committees are populated by local volunteer member/owners who are Joe and Jane Consumer.

As a result, in terms of responsible lending, credit unions invest heavily in communities they serve, and they service markets that more traditional lenders tend to shy away from.

For example, almost one in every five dollars on deposit at Ontario credit unions and caisses populaires is invested in financing small and medium-sized businesses and agriculture. And, interestingly, a credit union owns the only “bank” in Canada that has a formal ethical lending policy.

There are some 258 credit unions and caisses populaires across Ontario that serve about 1.6 million people. As a system, we raise millions of dollars for charitable organizations and causes, we provide more than \$900 thousand in free financial services to charities and community groups and, amazingly enough, in the 21st century, the spirit of volunteerism is alive and well.

And here is the fundamental reason why I think cooperative institutions are so well aligned with social responsibility We recently polled 157 leaders within the Ontario credit union movement and asked them why they existed. The number one answer was clearly to make the lives of our members better. Increasing shareholder value did not make our list.

Despite this natural fit of credit unions and social responsibility, I find it intriguing that Canada’s banks seem to grab all the headlines for their efforts. In terms of social responsibility, every day, credit unions walk the walk and get the job done. While our motivation is not to get publicity, I *am* here to balance things out.

If we evaluate the social responsibility of an organization as a whole, credit unions shine. Now that's a headline I'd like to see on the front page of the Globe & Mail.

Canada's 5 largest banks are getting excellent mileage out of their socially responsible efforts. The most famous may be the CIBC's annual Run for the Cure, an event that raises a great deal of money for a very important cause -- breast cancer research. Over at the TD, they issue an annual Corporate Responsibility Report, a splashy, sophisticated piece with great photos. And, just a few months ago, the Royal Bank group was named the top bank in Canada for corporate social responsibility in the Report on Business' second annual ranking.

(I seem to remember the Royal Bank making headlines recently, and not related to social responsibility. Something about trading improprieties? Oops...probably shouldn't say that! However, it nicely illustrates my point .

I, for one, am delighted that corporate Canada is developing a social conscience.

Several years ago I attended an event similar to this one where I had the opportunity to meet and discuss social responsibility from a financial perspective with representatives from the banks. I took it as a compliment when they told me that, from their perspective, credit unions are leading edge innovators. It's a compliment, but more important, it's the truth. We were the first to offer personal loans to the average working consumer. We developed ethical mutual funds, and we led the way in both social reporting and in social auditing for Canadian Financial Institutions. Innovations like these helped set the

standard for “doing the right thing.” That, in essence, became our signature and established our niche.

What made us special was our ability to innovate and we looked to create a new standard, not copy others. If we lose our passion to innovate in this field, we too will surely get steamrolled by those with mega bankrolls.

Today we seem to be more focussed on cataloguing best practices than encouraging innovation.

I’m increasingly concerned that Canada seems to be more interested in the size of one’s chequebook versus innovation. So what used to be our signature is quickly becoming a commodity that can be packaged and sold. Marketing does work -- especially when you have a huge budget. But if we fail to identify a new definition of social responsibility, we risk alienating smaller players like credit unions...who perhaps can’t write the million dollar cheque, but can be incredibly creative in the ways they contribute to the greater good.

Like you, for the last decade, I have read and heard about the emergence of the “Ethical Consumer”. I have no doubt that term reflects the altruistic nature of people in general. But research shows the vast majority of people – present company excepted of course -- have not really determined what that means.

My point is simply that if we – and by we I mean everyone in this room – are not activists for true social responsibility, then by default it will be defined by advertising agencies and will become strictly the domain of large corporations.

There is a tremendous need to invest in understanding CSR from a consumer perspective.

Bank mergers are a perfect example. While all the hype and histrionics over bank mergers in Canada have lulled to a dull roar lately, in the near future the merger debate will likely move to the front burner. While our friends in Ottawa are fencing over their own lack of ethics, it seems inevitable that at some point we will be faced with the issue of bank mergers in this country.

Just last month, the Consumers Association of Canada gave a presentation to the federal government's Standing Committee on Banking, Trade and Commerce. They raised several concerns, including competition and the bank merger proposals, and the declining number of bank branches in smaller communities.

While banks play up the so-called benefits of mergers, such as providing access to a larger pool of funds and achieving even greater economies of scale, we know that these “benefits” will inevitably lead to a greater disconnect with local communities. As banks go global and become even more centralized, they risk growing increasingly remote and unresponsive to Canadians.

It comes down to basic principles. To be responsive to a community, you need a presence. And an alarming but by no means new trend is that banks are pulling out of smaller communities across Ontario.

While we have been waiting for Ottawa to outline the terms and conditions around which they would consider bank mergers... over dozens of branches have been closed in order to prepare for mergers or to improve capital efficiency. Even profitable communities are not immune if they're not deemed profitable *enough*.

One of the reasons that credit unions across the country are supportive of the banks merging is that their actions leading up to possible mergers have helped build our brand and our business.

Let me share just a few stories with you where banks are closing up shop and credit unions are becoming local heroes ... by doing what comes naturally.

The place: Ailsa Craig, in southwestern Ontario. In January 2003, the only bank in town informed its customers via letter that the branch was closing in July; the next nearest location would be a 12-kilometer drive away. The community mobilized to preserve local service and was successful...but not with the Bank. Sydenham Community credit union stepped in, determined that it was feasible to open a branch and did just that. Today, more than half of the people in town belong to the credit union.

It's a story being played out across the province in towns like Mariposa. Cobalt. Keene and Balmertown. And most recently, Ottawa-based Your Credit Union has helped sustain the well-being of two small eastern Ontario communities by building full-service branches after banks pulled out. In fact, it's part of the credit union's long-term strategy to invest in rural communities.

After a while, those numbers do start to add up.

In my mind, THIS is also the kind of thing that corporate social responsibility is about. It is about people working together to build or sustain a community. It is the essence of why co-operatives were created as an alternative business model in the first place.

We also demonstrate our connectivity to communities through our lending philosophy, which is highly influenced by our roots. Our system was founded more than 100 years ago to provide basic financial services to those who were not creditworthy to the banks of the day. With that in mind, today we provide a disproportionately large share of small and medium-sized business and agricultural credit relative to our deposits. Overall, credit unions have about five percent of the retail deposit-taking market but we account for about 18 percent of the small and medium sized business credit...and 12 percent of agricultural credit.

We invest such a high proportion of our member deposits in these areas because credit decisions are made locally, by people who understand that a small business or family

farm has more to it than what appears on the loan form. Invariably, these prove to be excellent investments, as depositors, borrowers and credit union employees all benefit from the success of local businesses.

Credit unions nurture small businesses and they appreciate the way we treat them. I'm proud to report that credit unions ranked first as service providers in the last two Canadian Federation of Independent Business Banking surveys.

Perhaps the credit union story doesn't attract media fanfare because it's a story that's played out far from Toronto. The some 6000 jobs created by credit unions are disproportionately located in smaller cities and towns in Ontario. The numbers are startling: fewer than 40 percent of all people employed by deposit-taking institutions in Ontario work outside the GTA. By contrast, almost 80 percent of credit union jobs *are outside* the GTA, bringing well paying, senior positions to places outside Toronto.

Credit unions also touch their communities through financial contributions. Go to just about any credit union website and you'll find an organization deeply rooted in and committed to the community. Collectively, Ontario's credit unions contribute over \$3 million to the communities they serve through sponsorships of local initiatives, donations to charitable causes, free financial services and student bursaries and scholarships.

Credit unions are also industry leaders when it comes to socially responsible products and services. In 2004, the Canadian Social Investment Review reported, "In terms of

chartered banks in Canada, only one, Citizens Bank of Canada, specifically applies an ethical policy to its operations, including lending, purchasing and investment.”

Interestingly, this “bank” is owned by Vancity, Canada’s largest credit union. Vancity uses a similar ethical policy to screen loan applications, applying what’s called a Baseline Ethical Policy. This commits Vancity to do business with organizations that:

- Encourage holistic approaches to health;
- Promote responsible use of tobacco, alcohol and gaming;
- Demonstrate environmental leadership;
- Use environmentally beneficial products
- Conserve energy;
- Promote fair trade and humane working conditions;
- And more.

Back in Ontario, the former Metro Credit Union – now Alterna -- introduced a Community Builder mortgage that allows members to name participating community groups to receive payments of one half of one percent of the mortgage. This product has since been adopted by several other credit unions in Ontario.

I’m sure you’re familiar with the credit union ethical mutual fund...in fact, many of you probably attended this morning’s session with Bob Walker of Ethical Funds Company. The company was born in the early nineties in response to the credit union need for more competitive products, and has grown enormously since that time. In

fact, the Desjardins network, Quebec's largest financial institution, now offers these funds to its five million members.

I said my goal today was to balance out the equation...give equal time to credit unions for their corporate social responsibility ... and make you question our definition of CSR. I hope I've accomplished this, and you see us, Ontario's credit unions, in new light.

I started off by talking about what intrigues me...and I'd like to close with something that I find equally as intriguing: some of the results of an Imagine survey from last year. According to that study:

- 54 percent of respondents said they have punished companies they feel are socially irresponsible;
- 25 per cent of respondents said they've bought or sold shares based on a company's social performance;
- 67 per cent thought that, in general, business 'should do more' to improve conditions in the communities in which they operate.

That is what the statistics say. And if we are to believe them, then credit unions should be the hottest commodity in financial services. Our system is strong and vibrant, but hot commodities we're not.

So, if corporate social responsibility is a key determinant of consumer behaviour...if there are so many ethical consumers out there, then why *aren't* we hot? Do you think Canadians are actually willing to put their money where their mouths are? And if they are willing, are people rewarding socially responsible efforts regardless of their dimension? Or, in the end, is it really about size, where bigger is inherently perceived as better?

I understand that there's time set aside for questions...and I think I've just asked the first three or four! So, I'd like to open this up for discussion...I'm interested in hearing your thoughts.

Thank you.