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Eco-Friendly Investing

Environmental issues continue to increase the effect they are having on corporate decision-making. Government regulations, special interest groups, and customers all influence business decisions involving environmental issues.

But what can individual investors do? Do small shareholders have the ability to influence the way corporations conduct their business? If influencing corporate change isn't your goal, how can you ensure you are investing in Eco-friendly companies?

In this article we will look at examples of companies that are environmentally responsible and those that develop products that have direct impact on the environment. We will also look at how individual investors can be diligent when investing in Eco-friendly companies and how individual investors can influence corporate decision-making.

Domtar

One company leading the way in its industry from an Eco-friendly standpoint is Domtar. Normally we don't associate a forestry company that produces paper products with being environmentally friendly. In response to both consumer demand and government regulations, however, Domtar has spearheaded several initiatives aimed at being environmentally

responsible involving both renewable forests and water discharge.

Domtar produces several paper products certified by the forest stewardship council (FSC), an independent non-profit organization that sets internationally accepted standards for environmental sustainability. These papers are produced from raw materials that come from environmentally sustainable forests. At the request of author J. K. Rowling, the fifth *Harry Potter* book will be printed in Canada on one of Domtar's FSC-certified papers.

Do small shareholders have the ability to influence the way corporations conduct their business?

In December Domtar also announced it has become a founding member of the Boreal Leadership Council aimed at making Canada's boreal region the world's best-conserved forest ecosystem. For more information on these and other initiatives, visit the company's corporate Website; it has an interactive application that allows stakeholders and the public to view and comment on all its forest management plans. www.domtar.com

Getting Involved

Investors looking to become more active

shareholders may want to start by voting their proxies. As a shareholder of a corporation, you are entitled to vote on certain corporate policy and governance issues. Every year, investors are sent voting materials along with information about proposals put forth by management and shareholders, called a proxy circular, that will be decided on at the AGM. It is common for individual shareholders to not attend the AGM. You can still vote by proxy, however. This means you appoint someone who will be present at the meeting to vote on your behalf.

If you are unable to appoint someone, one of the members of the Board of Directors will automatically be appointed as proxy. You may even want to use your rights as a shareholder to persuade other shareholders in a collective effort to put forth shareholder proposals on environmental issues, to be reviewed during the AGM.

Home Depot

An example of the influence shareholders may have over corporate policies can be seen with Home Depot. In 1999, a relatively small percentage shareholders of Home Depot put forth a proposal asking Home Depot to eliminate the practice of selling wood derived from old-growth timber. Home Depot later came out stating they would stop this practice by 2002.

Eco-Friendly Products

If investors are looking to invest in companies that have a direct and positive impact on the environment, we provide the following examples.

Canadian Hydro Developers Inc. is a developer, owner, and operator of 10 hydroelectric plants, three wind plants, and one natural gas-fired plant. Their business model is to harness clean energy from wind and water in an environmentally low impact, sustainable manner.

Zenon Environmental is a Canadian manufacturer of water membranes for water filtration systems all around the world. The advanced design of these membranes ensures that local water supplies are successfully treated and safe to drink.

Trojan Technologies Inc. is a Canadian high-technology company that designs, manufactures, and sells ultraviolet disinfection systems for municipal wastewater and drinking water facilities. Instead of using chemicals to disinfect water, ultraviolet light is used.

Resources

We are not necessarily making recommendations on any of the companies mentioned in this article, nor do we advise individuals to make investment decisions based solely on the environmental responsibility of specific companies. For

individuals wanting to ensure the investments they are making are Eco-friendly, however, we offer these resources and advice.

- Research corporate Websites or contact their investor relations department for information on their environmental initiatives.
- Use www.globeinvestor.com to look up recent news releases on companies that interest you.
- Learn more about socially responsible investing in Canada; find investment managers specializing in this field at www.socialinvestment.ca.
- Go to www.sedar.com, which offers public access to annual reports and other corporate filings of publicly traded Canadian companies.
- Contact us directly for research reports on any companies covered by ScotiaCapital or its affiliates.

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