

# Highway Broad

BY ANDREA BALDWIN & ROBYN HALL

**CREDIT UNIONS PRACTICED CSR BEFORE IT WAS A BUZZWORD. NOW THEY ARE FACING A CHALLENGE ON THEIR OWN TURF.**

**T**he community of Tignish, a village of 600 families in Prince Edward Island, needed a new arena. The old facility was in a state of disrepair and securing insurance was going to be a problem. But the building represented much more to the community than a bricks-and-mortar shell. It was the town's largest-capacity venue. Its minor hockey league provided an outlet for Tignish youth over the long winters. It was also home to many of the pageants, variety shows and competitions associated with the town's Irish Moss summer festival. So, without hesitation, **Tignish Credit Union** got involved, not only donating \$100,000, but also offering members loans at prime-plus-0.5 percent so they, too, could make a contribution.

Along with support from other local co-ops and the federal and provincial governments, Credit Union Arena was built in 2006 without missing a hockey season. "We are the biggest business in the community and knew we had to be there," says Tignish Credit Union CEO Louis Shea. "You do it for the good of the community, not recognition."

Stories like Tignish's are common to the Canadian credit union system, which has gained market strength by purposefully taking the higher ground on issues that matter most to members. That commitment to community investment, economic development and

exceptional member service, has made them leaders in corporate social responsibility (CSR).

CSR is defined as an organization's ability to pro-actively self-regulate, conduct business ethically and operate in the public interest. It requires planning, commitment and, often, financial investment. But in spite of the shift in priorities brought on by the economic downturn, demand for CSR hasn't changed. In fact, a 2009 study, performed by stakeholder-research firm GlobeScan, found that although 52 percent of Canadians polled ranked "economic problems" as the most important national concern, they continue to have high expectations of companies. Two-thirds, for example, hold firms responsible for not harming the environment.

Over the last five years, companies in every sector have recognized the importance of CSR and adopted its tenets. The Big Five banks, have caught up quickly and are particularly challenging credit unions in the areas of community investment and the environment.

"Any credit union that wants to be a leader in the area of CSR needs to pay attention to what is happening in the banks," says Priscilla Boucher, **Assiniboine Credit Union's** vice-president, corporate social responsibility, "because, even if they are doing comparatively less in a certain area, their size and marketing savvy allow them to get great mileage out of it."

Examples include the Royal Bank of Canada's Blue Water Project. Launched in late 2007, the ten-year, \$50-million grant program supports watershed protection and access to clean drinking water, both domestically and in developing nations. The project also complements the bank's internal commitment to reduce its operational impact. "I'm proud that we ensure our activities are not a philanthropic appendage, but are worked into every angle of what we do," says Shari Austin, head of corporate citizenship and executive director of the RBC Foundation. "On water, for example, from a business-opportunity perspective we're there, from a risk-reduction opportunity we're there, and we're reducing our water consumption as an organization."

TD Financial Group also took a leading position on the environment by announcing it would become carbon neutral in 2010 – the first major bank in Canada to adopt that goal. At the same time, the organization is using Bullfrog Power (from renewable sources) to run its Canadian ABM network and its entire operation in British Columbia. Additionally, the TD Friends of the Environment Foundation has, so far, provided more than \$47 million in funding to over 17,500 environmental projects across the country. In 2008, the bank made a further statement by naming its first "Chief Environment Officer," Karen Clarke-Whistler, a respected environmental scientist.

TD and RBC also share a common commitment to lending risk management as adoptees of the Equator Principles. Created by a group of



international private-sector banks, the guidelines assess the social and environmental impacts of large projects prior to decisions on financing. In 2008, for example, RBC applied the Equator Principles to five large projects and performed environmental credit risk assessments on 650 transactions in Canada and the United States.

**S**o what does the credit union system – with its long history of CSR through cooperative values – do when the big banks are challenging them on their own turf?

The answer lies partially in the banks' perceived shortfalls. Paradoxically, while they have made great advances in CSR, banks still face a challenge at the day-to-day business level. Issues like waning customer service, higher fees and disproportionate executive compensation remain high on the list of consumer concerns.

Furthermore, the banks tend to focus on big-budget, broad-based CSR initiatives, rather than retail-level programs. One of the overlooked areas is green products that reward consumers for green choices such as preferential interest rates on loans for hybrid cars and energy efficient home-renovations.

Still, for those credit unions leading the CSR charge, their greatest advantage continues to be in developing meaningful programs that address the most immediate needs of their home communities.

Bernie O'Neil, head of **Credit Union Central of Nova Scotia**, for instance, is proud of creating more than 1,300 jobs, and retaining an additional 2,300 Nova Scotian jobs since 2003, through a small-business lending program negotiated with the provincial government. Loans go to sectors not able to qualify through traditional sources. For O'Neil, the write-off rate of only three percent is a particular point of pride. "We are very close to our community and really part of the fabric of Nova Scotia," he says.

Meanwhile, in arguably the most competitive financial services market in the country, Ontario's **Alterna Savings and Credit Union** differentiates itself by providing micro-loans for small-business ventures and placing emphasis on financial literacy. "We're seeing a real need out there, a big desire for people to get control of their finances," says Kimberley Ney, Alterna's senior vice-president, marketing,

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communications and corporate social responsibility.

A pilot program in the Bolton community provided members with a “budget buddy” staff member to act as a financial coach. Alterna also helped members to automate bills and RSP contributions, consolidate debt and generally simplify their financial lives.

Leading the pack on the environment, **Vancouver City Savings Credit Union** achieved carbon neutrality ahead of schedule in December 2007 (and ahead of bank frontrunner, TD). **Vancity** also offers more than \$400,000 in grants for local environmental projects. Internally, the organization has reduced its footprint through a myriad of creative activities, including a Smart Car and bicycle fleet for staff use.

“The first steps for companies new to strategic CSR are an assessment of current performance and then a decision-making process around aligning CSR efforts with the business,” says Adine Mees, president and CEO, Canadian

Business for Social Responsibility. “This can be a watershed exercise that engages employees at many levels of the business structure.”

Boards of directors and management teams satisfied with the current contributions of their credit union may question the need to expand CSR programming. But, according to Chris Coulter, vice-president strategic development for GlobeScan, the Canadian market is more demanding than ever: “Canadians are the most empowered in the world when it comes to CSR, increasingly reporting that they reward and punish companies for their performance. It’s a good market for seizing opportunities and a dangerous market for not managing risk.”

For credit unions, which often emphasize their social responsibility, the bar is already set high. “CSR is important to members and employees, and with that importance comes expectations,” says Assiniboine’s Boucher. “We need to demonstrate good practices in real terms, so that they build satisfaction and pride, not disillusionment and cynicism. You don’t

necessarily need a lot more resources, but you do need the commitment to integrate CSR so that everything you do delivers a triple-bottom-line [people-planet-profit] return.”

Credit unions have the cooperative principles already in place as a guide to action. In fact, retracing those roots is cited by credit unions as a key motivator for good CSR. That means continuing to serve the communities overlooked by larger financial institutions, being accountable to members, carrying on an open dialogue and responding to concerns. Finally, by offering financial products with a social and environmental benefit, credit unions will create even greater differentiation.

“Big banks can always write a bigger cheque,” says Alterna’s Ney. “But if credit unions focus on how we can use our core competencies to create value, there will be some real creativity.” **E**

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