

May 29, 2008

Via Email: rcorner@ida.ca

Richard J. Corner
Vice President, Regulatory Policy
Investment Dealers Association of Canada
Suite 1600, 121 King Street West
Toronto ON M5H 3T9

RE: Rule XX00 - Client Relationship Model

Dear Mr. Corner,

The Ethical Funds Company® is Canada's largest socially responsible investment (SRI) firm with \$2.7 billion in assets under management. We have a dual mandate: to provide competitive rates of return to our unit-holders, and to express their values through the investment process. Our approach to investing is based on the thesis that companies incorporating best environmental, social and governance (ESG) practices into their strategy and operations will provide higher risk-adjusted returns over the long term.

We are writing in response to your request for comments on the Investment Dealers Association's (IDA) proposed new client relationship model.

As members of the Social Investment Organization (SIO), we support SIO's brief calling for integration of social and environmental considerations into the client relationship model (<http://ida.knotia.ca/Knowledge/View/Document.cfm?Ktype=445&linkType=toc&dbID=200803361&tocID=22&nc=341786822342>).

In further support, we note that according to survey data published by Globescan, Canadian investors are demanding greater social responsibility and sustainability by the companies in their investment portfolios:

- Nearly nine out of ten investors believe the financial community should pay more attention to social and environmental performance when valuing companies.
- 96% of investors agree that corporate CEOs and Boards should monitor the performance of their companies on corporate social responsibility.
- More than three-quarters of investors are interested in learning more about the social performance of companies in their portfolio.
- Some three-quarters of investors believe that corporate social responsibility reporting is an important factor when making an investment decision.



Yet in spite of this evidence of overwhelming investor interest in corporate responsibility, most advisors in Canada do not inquire into the social and environmental concerns of their clients. This has resulted in an important gap in the client suitability assessment process:

- 66% of investors have not considered or had a discussion with their financial advisor about the corporate social responsibility performance of companies in their portfolio.
- A further 11% have considered the issue, but not brought it up with their advisor.
- 13% have raised the issue with their advisor, and 1% said that both they and their advisor have raised it.
- Only 8% of advisors have raised it with their clients.

Research undertaken by **The Ethical Funds Company®** confirms that clients want advisors to incorporate ESG considerations in their recommendations. Our research has also revealed an education gap among advisors regarding how to provide this service in practice. This led **The Ethical Funds Company®** to create Canada's first SRI certification program for advisors, as well as publishing a wide variety of information to help advisors meet client needs in this area. SRI suitability questions have already been incorporated in portfolio planning tools used by advisors within the credit union system.

We believe that all Canadian investors should be given the opportunity to express their values in their investment choices. Integrating social and environmental considerations into the client relationship model would be a way to achieve this. All advisors in Canada should be mandated to inquire into the social and environmental concerns of their clients, and these concerns should be written into the agreements and disclosures available to clients.

Environmental, social and governance issues are no longer a minority interest among investors. Increasingly, investors are seeing these issues as critical to their investment decision-making. We believe the client relationship model should reflect this reality. Integrating considerations that are important to a majority of investors will strengthen trust in the relationship between advisors and clients.

Sincerely,
The Ethical Funds Company



Robert Walker
Vice President, Sustainability