

**Remarks by Kaz Flinn, Vice President, Corporate Social Responsibility
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Good evening everyone ...and thank you for that kind introduction, Martin and for inviting me to share in this evening.

I truly am honoured for the opportunity to meet with you this evening to share some thoughts on a topic that I am very passionate about. It's an added benefit to be able to work with your new Chairman and my colleague Martin de Gannes who I want to congratulate on his new position with the ECA.

When I was first approached about speaking tonight, I wanted to find out more about your organization and your work. I quickly learned that your Association, in many ways, has been ahead of the curve with regard to some of the issues that I work on in the world of Corporate Social Responsibility.

Corporate Social Responsibility or CSR – let me first start with describing what these three words are all about and then offer some steps you can take to make your organization both a great place to work and enhance the reputation of your organization in the community.

Flip those words around. Responsibility, Corporate and Social or Society.

Ask yourself this question. What responsibilities does a corporation have to society?

There are those who would still argue that a company's main goal is to provide a service or product of value and generate a profit. But, HOW you operate your business also has a significant impact on the colour of your bottom line.

Let me share with you the key metrics that we use in CSR by asking you a few questions.

Think about your own organization.

Do you have a strong balance sheet?

Do you have potential for growth?

Are your employees satisfied and dedicated?

Are your customers loyal?

What is your reputation in your industry and in the communities where you operate?

Would others say your company has high ethical standards?

Do you have a process in place for looking at ways your company can be friendlier to the environment?

If you answered yes to any or many of these questions, you would likely receive a solid rating when it comes to the way CSR is measured.

Over the past decade, the term CSR has become more commonplace in the boardrooms of companies throughout the world. And as more and more organizations start to think, and take action, there has been a desire to more formally define what CSR is, and how to measure it.

One of the most widely accepted definitions was created by something called the Dow Jones Sustainability Index, a socially responsible investment fund.

They define CSR as “a business approach that creates long-term shareholder value by embracing opportunities and managing risks deriving from economic, environmental and social developments.”

- shareholder value
- embracing opportunities
- managing risks

Well, I am sure that just about everyone in this room is part of an organization that seeks to increase shareholder value, look for opportunities and manage risks.

Another definition comes from the Canadian Business for Social Responsibility, a non-profit organization like the ECA, which acts as a best practices forum for leading Canadian companies actively engaged in improving their CSR scorecard.

I serve on the Board of this organization and the definition they use looks at;

A company’s commitment to operating in a socially, economically and environmentally sustainable manner while recognizing the interests of its stakeholders:

They identify six groups.

- Investors
- Customers
- Employees
- Business partners
- The environment
- The community

So in many respects, CSR is nothing new.

I am sure most of the companies here tonight have policies in place to address these groups.

However, there are a couple of trends that are new.

Citizens, throughout the world, are concerned more than ever about how business operates.

Also, companies, especially large international ones, are creating formal processes to integrate CSR practices across business lines. In our case, we created a specific department that is responsible for measuring activities that relate to CSR.

The growth of CSR as a specific function within a company is changing business in three key ways:

One

By creating specific departments that set the strategic direction of CSR and lead its measurement.

Two

By creating measurement tools and processes to actually capture data about CSR practices already underway.

And Three

By sharing best practices within their companies.

Every company has its own set of CSR priorities that address its unique geographic and sectoral considerations. For example Scotiabank is an international financial institution operating in over 50 countries with close to 57,000 employees. So some of the issues that are important to us, may not apply equally to other companies or sectors.

Oil and gas companies have a great interest in how to improve their extraction process whereas, as a financial services company, we would focus on our retail products and lending policies. Janitorial or cleaning companies need to focus on the kinds of products they use and how they dispose of them. Companies that produce plastics need to evolve to use materials that contain more recyclable material like corn.

But there are still common issues and opportunities whether you are a local, national or international business and whatever the sector such as supply chain and HR issues as well as encouraging employees to conserve valuable natural resources such as water which is something you do during your dry season. Great showers today!!

So how does Scotiabank define CSR?

We look at it from the perspective of our stakeholders.

Our formal documents talk about the way we interact with our stakeholders to meet our social, economic, environmental and ethical responsibilities.

As you can see from the chart, CSR is a broader concept that includes philanthropy as part of community but goes beyond it to cover issues ranging from environmental aspects of product development to employee health and safety.

Community is one of a number of important elements of CSR. Philanthropy and sponsorships demonstrate how a company, through employee involvement and financial support can make a difference in communities. This is certainly nothing new for this crowd. I know how active and generous companies are in this country with their time and resources.

So now let me tell you a story about our experience at Scotiabank.

I'd like to tell you a little about what we are doing and where we are going, but also, what were the steps that launched us on our CSR path.

Our organization is celebrating its 175th anniversary this year and every month our company newsletter includes stories about the bank over the years. In reading these stories, you can see that elements of creating a good place for employees to work, and operating in an ethically sound way have been with us for a long time.

It was in 2004 that the company's leadership recognized increasing external concerns about CSR-related issues and the need for improved ways of measuring our activities. In addition there was a recognition that we would benefit if we shared the results of our activities with our various internal and external stakeholders.

As a result, Scotiabank decided to centralize our expertise and strategy development by creating a separate CSR department lead by a VP of CSR – that would be me.

As we developed our strategy, we recognized the need to measure our activities and create benchmarks so we could measure our success year over year. I'll give you some examples of these measurements as we look at each area.

By measuring our activities, we could also demonstrate the impact of these good practices on our business in various areas, from employee retention, to saving in hard costs by adopting better environmental practices.

We capture all of our data and successes in an annual CSR report that is shared with employees and shareholders. This report reviews our work in **five key areas**.

So let me start first with employees since this is your area of expertise.

Everyone is familiar with the phrase "our employees are our strongest asset."

As an employee focussed audience, I don't need to dwell on the value of satisfied and motivated employees.

In our organization we have progressive HR policies and practices in place that make us a leader in our sector.

We know that satisfied employees are motivated employees who are in turn more productive, have less sick days, and provide better service to our customers. As well, satisfied employees are more likely to stay with an organization. We all want to avoid the high costs of high employee turn over.

What CSR measurements do we use? Two examples are: we set diversity targets - for women in leadership roles and people with disabilities. For example, in terms of employee satisfaction, we have an annual survey completed by every employee in the company, called Viewpoint that is conducted by an external firm. It benchmarks employees satisfaction levels and outlines concerns as well as areas of success.

So how do CSR and HR come together?

One of the trends our HR leaders have noticed is a greater interest on the part of potential recruits in our CSR record and practices. Our Executive Vice President of HR, says that when she is at recruiting events, young people interested in working for our Bank, grill her with very specific questions about Scotiabank's CSR initiatives. That's why we use our CSR Report on campuses as a key recruiting tool.

We are able to demonstrate to potential employees that our organization is taking a leadership position in CSR and are serious about our role in society.

The bottom line – our work in the areas I have mentioned is increasing our status as an employer of choice. And that gives us a competitive edge. Similarly, we know that our initiatives are supported and applauded by our existing employees.

We commissioned a survey last year asking people in Canada about how they view their employer in relation to CSR. We found that 60 % of those surveyed said they would consider changing jobs if their employer demonstrated poor CSR practices.

In a separate global survey conducted by Globescan , an international public opinion research firm, earlier this year, 90 % of employees of large companies said that the more socially responsible their company becomes, the more motivated and loyal they are, up from 79% in 2002.

We all know how important it to keep good people, instil loyalty and make employees feel proud of their company. Setting goals through a CSR template helps you achieve those goals.

One of the great joys of my job is working with colleagues across all business lines and seeing their enthusiasm for our work. The question I am asked most often internally is “we want our department to get involved, how do we get on board?”

Again, good CSR practises motivate existing employees, and create momentum for even better outcomes.

Which brings me to the **second area** -- good environmental practices.

I have two examples related to our desire to reduce our impact on the environment or, our environmental footprint.

First, energy consumption.

Climate change, which as you know is directly related to the amount of energy we use, is currently the #1 global issue of concern, according to recent Globescan polling data. 26% say the environment is the most critical issue facing them- up from 4% 1 year ago, ranking it even above health care. The research company says this is the equivalent of a “public opinion earthquake”.

Question

If you wanted to reduce the amount of energy your company consumes, who would you turn to in your organization to find out about your current usage?

One of our goals was to find ways to reduce our energy consumption across the company. However, the way the company is structured, nobody actually knew how much energy we were using collectively. So- our first step was to set up a process for measuring our energy use across our branch network in Canada.

We created an energy measurement pilot project in 2006. The pilot involved the capturing of consumption data for electricity, heating oil, propane and water.

Next, we set out to find ways of reducing our energy use – and costs.

So you can imagine how thrilled our real estate unit is as they benefit from cost savings and efficiencies due to the centralization and tracking of this information, and landlord charges and property taxes. It's all good. Everyone benefits!

Simple stuff really, but CSR got us thinking about doing things differently and better.

We now have a benchmark and will be able to publicly report our energy consumption in next year's CSR Report. We haven't set a reduction target quite yet but are looking to set a percentage for reduction as well as possibly setting a goal for using a certain amount of alternative clean energy like wind or solar. We have a working group that is identifying ways to accomplish our goals. By focussing on improving our environmental practises we are also reducing hard costs. Again connecting CSR to business value.

Another area that we are looking at that has positive results environmentally, financially and in terms of employee engagement is our paper consumption.

Banks use up an enormous amount of paper - from statements and marketing materials - to all the copy paper we use internally. Along with energy, it's our biggest environmental impact.

Who in your organization could tell you how much paper your company purchased last year? Is that data available from one person, or would you need to ask several?

Our team created a working group made up of our sourcing people, our supplier relationship managers and the big paper users across the Bank to look at the amount and kind of paper we use. Again, we started by quantifying the challenge, and then moving to finding ways to change the amount and kind of paper we buy that for the most part ends up in landfills.

Our next task is to put together a policy on paper which will include guidelines on choosing suppliers, outlining the kind of paper to use- certified, recyclable content, how much post consumer waste content do we want to use etc. Plus we also want to set reduction targets with a policy to use double sided photocopying, charge each business line for the amount of paper they order and encouraging employees to cut down on printing emails and long reports.

We were able to report our overall paper consumption this year and it is a staggering 5369 tonnes! Just the copier paper alone for Canada is 70 times the height of the world famous CN Tower which stands over 1800 feet! A few sheets here or there doesn't seem like much, but it sure adds up.

One of the additional benefits of this working group is that we are bringing together people within the organization who have never worked directly together and have a common goal.

Bringing people together and sharing best practices has been one of the best internal benefits of our CSR initiatives. It's amazing how people working together on common challenges can energize your company and generate great ideas.

It's impressive that over a decade ago the ECA recognized the link between industry and the environment by being one of the first employers' organizations in Trinidad and Tobago to establish an environmental desk in 1992 through the International Labour Organisation.

So you have been ahead of the curve on the connection between the environment, good business and taking care of employees.

Increasing employee moral and reducing your company's environmental impact are two great benefits of adopting CSR practices.

A third area where you can make a difference for your company.

Customers

Without customer we don't exist.

What do your customers think about your organization?

We surveyed Canadians about their purchasing decisions and found that 25 % of consumers report that they often or always consider a company's CSR practices before making a purchasing decision. And this trend is growing.

As I mentioned earlier, HOW you provide your service to customers impacts the decisions customers make about doing business with you. Our customer metrics include keeping close tabs on customer satisfaction levels. We have an in house research group that regularly surveys customers to allow for continuous improvements.

The Fourth is **communities**: We all agree companies have a role to play in the communities where they do business.

Like many of you, we support lots of worthwhile causes. In additional, we are working to integrate our philanthropic activities with our CSR objectives. For example, we want to expand our support for environmental causes through partnerships and donations to organizations such as the World Wildlife Fund (WWF).

As an international company, we also seek to ensure our community involvement is tailored to the needs and challenges of specific regions. A good example of this is the work of my colleagues in the Caribbean and other countries to combat HIV/AIDS. In Guyana a committee was formed to raise education and awareness about this condition among our staff and customers.

They held sessions for employees in all our branches in Guyana, raised money to support organizations active in the HIV/Aids fight and on special days staff wear HIV/Aids branded T-shirts. In addition, branches distribute pamphlets and display posters about the condition.

Their efforts were recently recognized by national a US Aid prevention organization in Guyana, where Scotiabank received its Award For Excellence in the Workplace.

This kind of work is important because it's what our employees want us to do, and it helps build a strong reputation of a company that cares, is responsible and wants to contribute. This action is solidly reflected in the bottom line.

The **fifth** area and final thought I want to leave you with is about leadership -- a critical component of a serious CSR strategy.

Our CEO has done what good leaders do. He recognized a need and took action by establishing a CSR management team and made being a leader in CSR an overall strategic objective of the Bank. We established, with CEO support, an influential advisory committee of Vice Presidents.

This group meets quarterly and ensures our goals in CSR are integrated into the Bank's overall goals.

Look around this room – you are the leaders in your organizations. You can take action.

If nobody leads
Nobody will.

I began my speech asking you to rate your own organization by answering several questions.

I conclude by asking you to think about what steps you can take in the coming days and weeks to improve your own business practices, and in turn improve your bottom line. In other words, a CSR strategy.

The short story is this: In business as in life, goodwill is earned everyday

Doing well by doing good.

That is a recipe for success in a world where your stakeholders are increasingly becoming more discriminating in where they work, who they buy from, work with and invest in.

Thank you again for inviting me this evening.