

FIDD: A green and socially responsible venture capital fund

Life cycle Approaches for Green Investment

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Fonds d'investissement en développement durable (FIDD), limited partnership



Presentation outline

- What is the Fonds d'Investissement en Développement Durable
- Sponsors and collaborators
- Mission
- Challenges
- Approach
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- Social and environmental criteria
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Who is the Fonds d'Investissement en Développement Durable (FIDD)

In 2003, the Fonds d'investissement en Développement Durable (FIDD) proposed, as a responsible investor, a fund of \$18 million CDN in venture capital, so-called “patient capital,” which should generate an annual return of 15% over a five to seven year period.

Using an analysis that takes into account environmental and social performance criteria.

All geared to the reality of small and medium-sized enterprises (SMEs).

The 'FIDD'

A sustainable development fund for small to medium-sized businesses based on a green and socially responsible investment policy.

- Sponsors



An NGO dedicated to sustainable development education with a $\text{CDN } \$45$ million envelope entrusted by the Quebec government.



Over $\text{CDN } \$345$ million in assets as for May 31st 2004.



$\text{CDN } \$5.5$ billion in assets as for November 30th 2004.

- Collaborators



CIRAIG¹



1. Interuniversity Reference Center for the Life Cycle Assessment Interpretation and Management of Products, Processes and Services.
2. Occupational Health and Safety Commission.

FIDD's Mission

The FIDD's mission is to help finance companies whose goals are to develop and commercialize products and technologies that promote sustainable development.

FIDD invests in proactive, environmentally and socially responsible companies.

After having taken into account the same aspects than other venture capital funds, the FIDD analyzes investment request with sustainable development standards through the FIDD-SLCA.

FIDD challenges

Sustainable development is not only integrated at the time of the selection for an investment project by the FIDD, but especially, as a long term intervention tool

- of a company product
- of the social responsibility of that enterprise.

The FIDD-SLCA is used for revealing governance and as a management tool.

This approach is expressed in the investment policy and in the way FIDD selects and support companies.

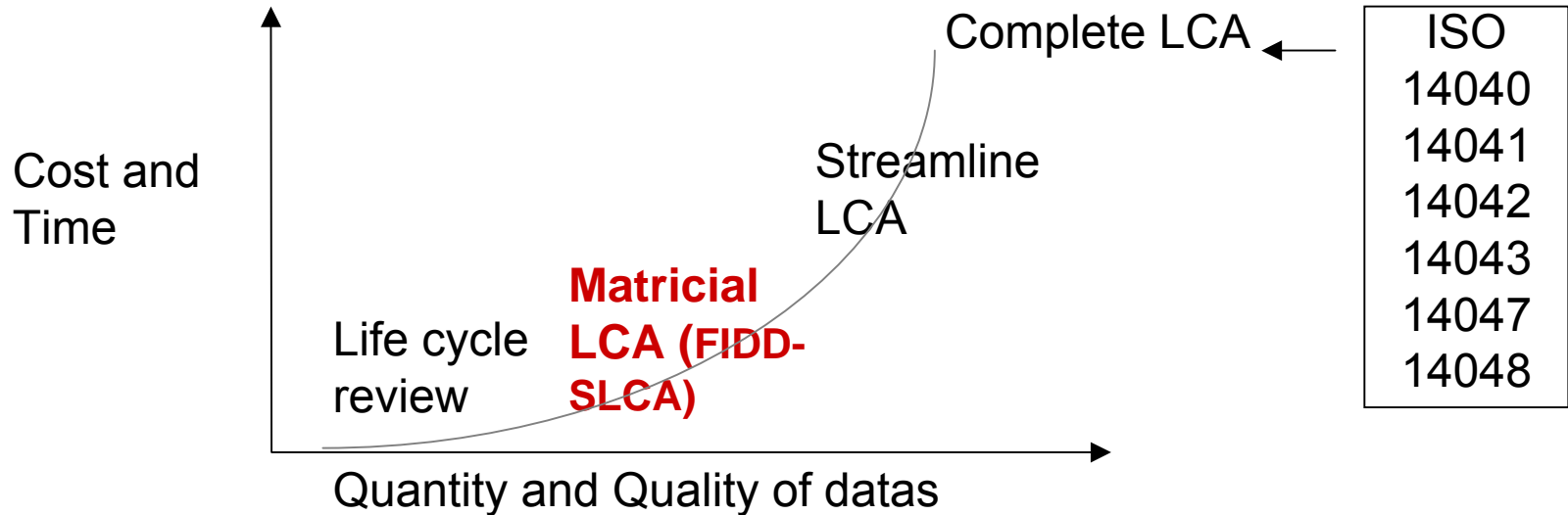
Approach

Stages

- **Diagnosis** : Strong and weak points are identified by an external auditor using the FIDD-SLCA also providing improvement opportunity avenues.
- **Investment conditions** : Included in shareholder conventions and/or subscriptions.
- **Sustainable Development committee** : To monitor the progress and the actions taken by the company.
- **Reassessment** : Made with the FIDD-SLCA prior to a second round of financenment depending on the company's need.

FIDD Streamlined Life Cycle Analysis (FIDD-SLCA)

Complexity level of different types of LCA



The key feature of the FIDD-SLCA is a 200 questions checklist generating over 600 qualitative and quantitative data gathered in a single day by an external auditor.

FIDD Streamlined Life Cycle Analysis (FIDD-SLCA)

The FIDD-SLCA takes into account each stages of the life-cycle of a product or technology (pre-production, production, distribution, utilization and disposal) focussing on the activity of the company applying for investment. The FIDD-SLCA do not limit itself to traditional input-output analysis, it also opened the black box to include supply chain analysis and aspects linked to environmental management system.

Looking in the « black box »



FIDD Streamlined Life Cycle Analysis (FIDD-SLCA)

For the section on **environmental factors**, the SLCA-FIDD is based on :

- The work of Graedel (1998) ;
- A review of resources such as the ISO 14000 standards ;
- Government of Canada reports (Five Winds International, 2000 & Industry Canada, 2001) ;
- US reports (US-EPA, 2000 & 2003) ;
- North-American initiatives on responsible, eco-efficient investment.

For the section on **social factors**, the SLCA-FIDD draws on the concept of “life cycle thinking,” which has been adapted to include :

- The experience of Quebec’s labor-sponsored investment funds with respect to social responsibility ;
- That of CIRAIG with respect to life-cycle assessment ;
- And that of the CSST with respect to occupational health and safety ;
- Have been compared with other tools such as the Global Reporting Initiative.

FIDD Streamlined Life Cycle Analysis (FIDD-SLCA)

ENVIRONMENTAL CRITERIA

Environmental management system

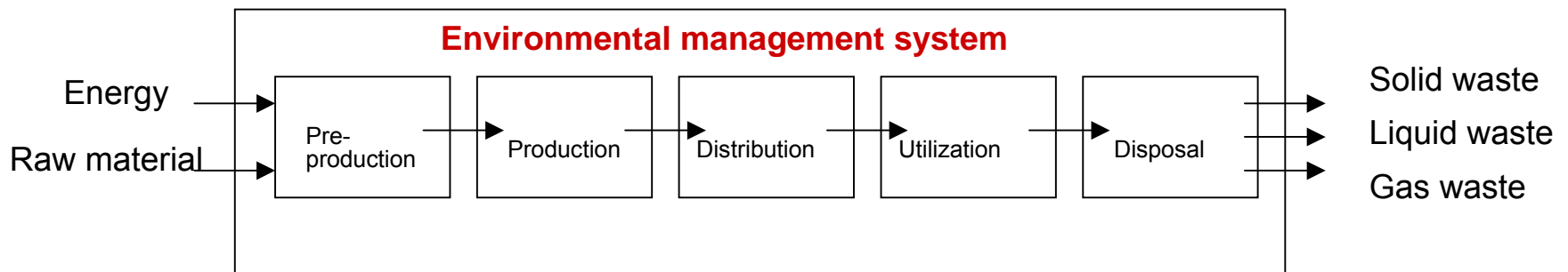
All elements associated with the company's environmental management, such as meeting regulatory requirements and adhering to environmental standards and internal environmental policies.

Waste management

Solid, liquid and gas emissions
Eg.: packaging, water, CO₂

Resource use

Use of renewable or non-renewable resources and energy
Eg.: a company's energy and material consumption



FIDD Streamlined Life Cycle Analysis (FIDD-SLCA)

SOCIAL CRITERIA

Job creation

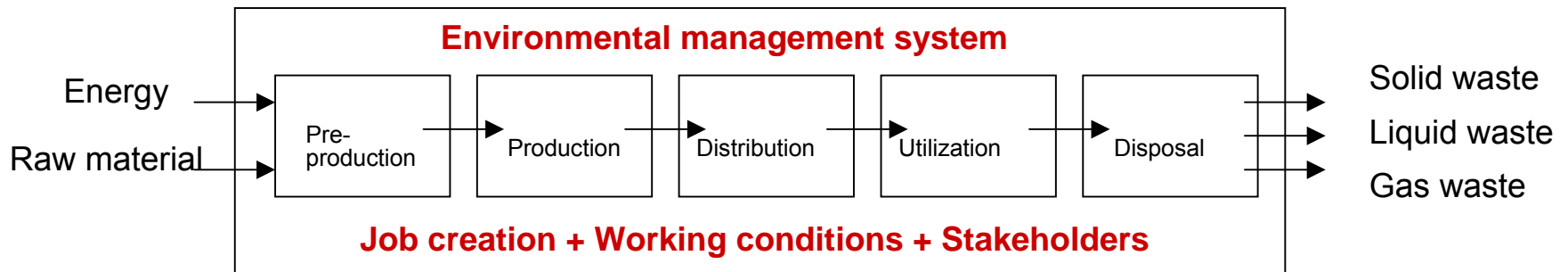
Number and types of jobs created by the project as well as the breakdown of the company's labor force.

Working conditions

National and international work standards, including workplace health and safety, the right to organize and to negotiate. Corporate policies and practices with respect to equity in terms of training, remuneration and employee advancement. Corporate relations with other stakeholders (subcontractors, consultants, etc.).

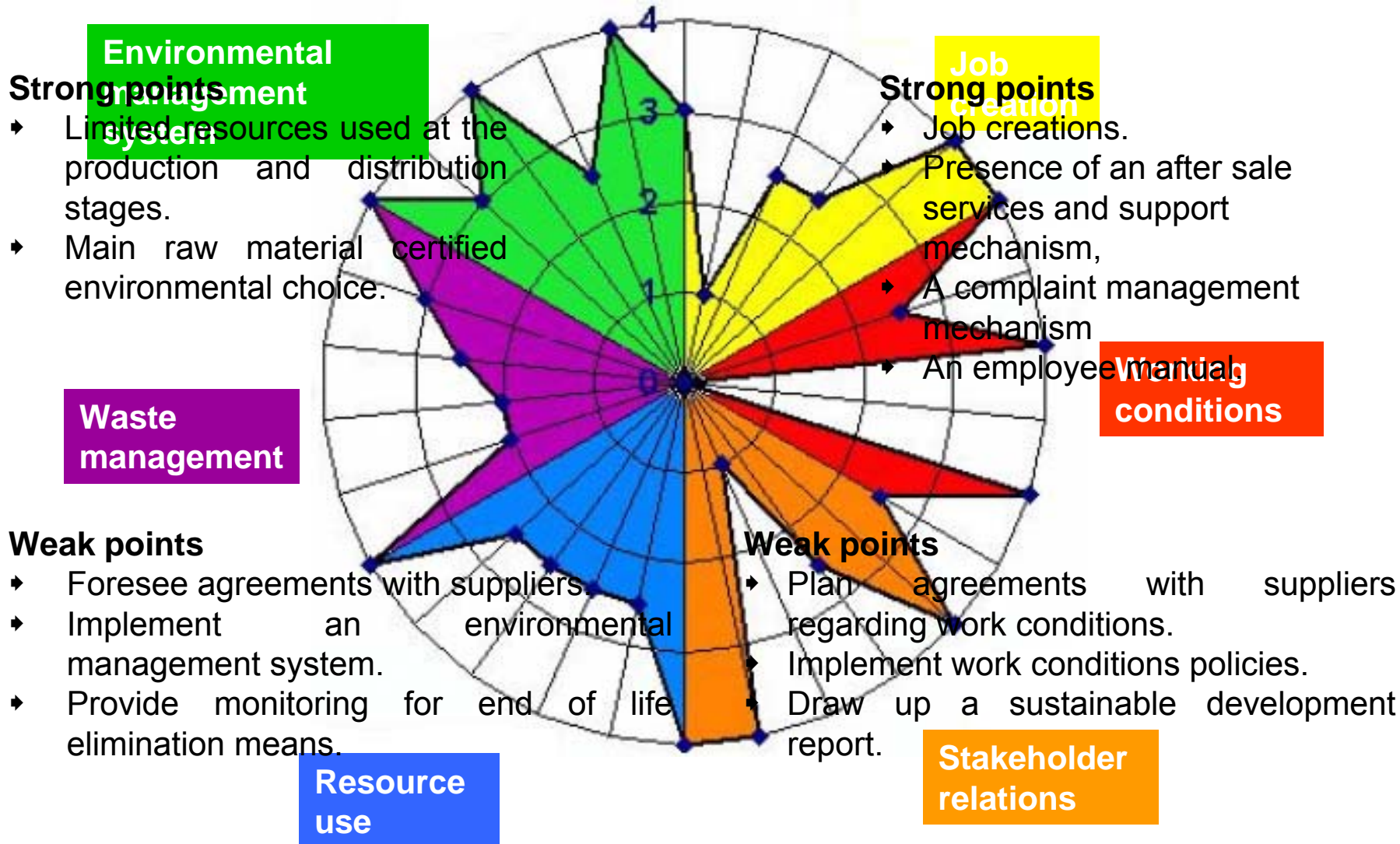
Stakeholder relations

Information and consciousness-raising to promote harmonization (eg.: information, supplier awareness, awareness-building with respect to local purchasing and socioeconomic businesses).



Example – the ‘Diagnosis’

Social and environmental aspects



Example – the ‘Conditions’

Main improvement avenues

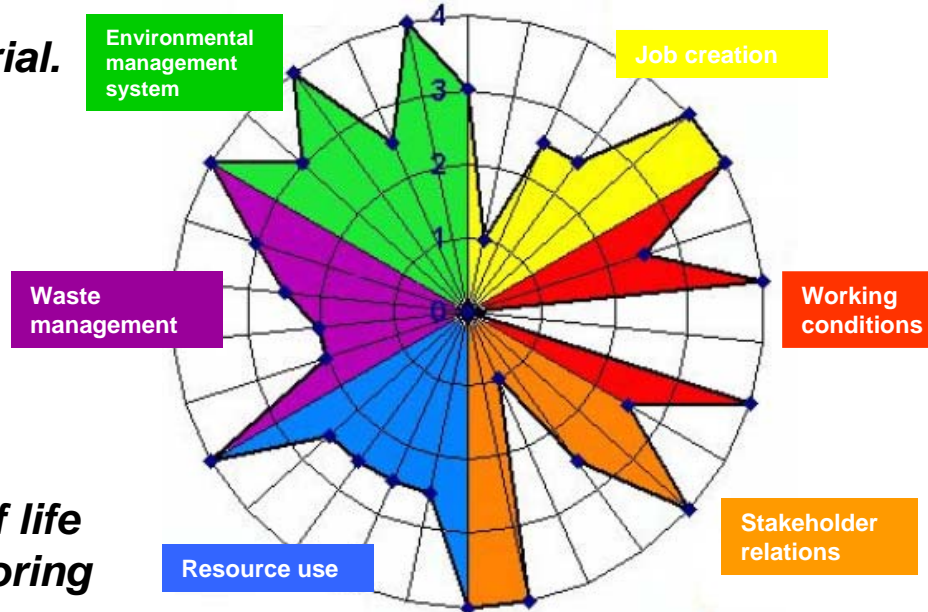
Increase company's concerns regarding social and environmental performances of suppliers.

Plan use of recycled material.

Optimizing the technical performances of the product (sustainability)

Provide end of life product monitoring

Improving relations with stakeholders through the elaboration of a sustainable development report including social, environmental and economical aspects.



Example – the progress

Relocation of activities reduced rental cost and maintenance by 20% by optimizing space, energy and insulation ;

Product footprint reduced by 30% ;

50 % raw material cost reduction by using recycled material ;

Improving internal policies :

- Occupational health and safety ;
- Leaving policies ;
- Social benefit program ;
- Flexible schedule program ;
- Code of ethic and behaviour ;
- Policy in case of harassment.

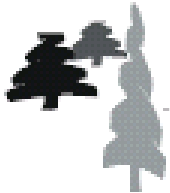
FIDD's investment



CO₂ Solution inc. is a high-tech company active in the recycling of carbon dioxide gas (CO₂), the principal greenhouse gas.



Corporation EARTH (Canada) is a global leader in the development of technologies geared to the recovery of hydrocarbons. By means of its exclusive RPA® and TORR™ technologies, EARTH specializes in the extraction of hydrocarbons from commercial wastewater.



Recy-Clone inc. is a company that turns wood residue into environmentally-safe fire logs for the residential market.



Bioetik inc. is a company that transform certified organic food, producing organic energy bars known under the brand name Equibar.



Bush Marine inc., is manufacturing deluxe electric boats under the brand name: Compagnie Canadienne de Bateaux Electriques. It is the only manufacturer in Canada.

Recognition of the FIDD by the United Nations Environment Program (UNEP)

“The innovative character of this Fund and its methods, which will be based on life cycle analysis, are very much in line with our Initiative’s mission. [...]

We believe that the establishment of such a fund constitutes an excellent incentive for more efficient technologies to small and medium-size businesses for the development of tools customized for SMEs as well as those for developing countries.” August 2003 – Mr. Fritz Balkau, OIC/Head, Production and Consumption Branch, United Nations Environment Program (UNEP)



Conclusion

Sustainable development through a scientific tool allows to optimize the product chain and to improve good corporate governance.



Acknowledgements

FIDD's team would like to thank you
for your attention.

