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Report **June 2004**



# The National Corporate Social Responsibility Report Managing Risks, Leveraging Opportunities

GOVERNANCE AND CORPORATE SOCIAL RESPONSIBILITY



The National Corporate Social Responsibility Report: Managing Risks, Leveraging Opportunities  
by *David Greenall*

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## Preface

Canadian corporations are being challenged like never before to find the appropriate balance between corporate and community interests. How to do so in a manner that meets the needs and expectations of owners, corporations and stakeholders, is the essential challenge of corporate social responsibility (CSR).

The ability of Canada's largest corporations to find such balance contributes to their long-term sustainability. Successful organizations realize the value of responding to their changing operating environment with an open attitude that embraces learning and adaptability. This report provides a basis for Canadian corporations to learn about the risks and opportunities that arise from their evolving relationship with society.

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# Contents

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|                                |   |
|--------------------------------|---|
| <b>Executive Summary</b> ..... | i |
|--------------------------------|---|

---

|  |   |
|--|---|
| <b>Introduction and Key Findings—Corporate Social Responsibility in Canada</b> ..... | 1 |
| Key Findings .....   | 7 |

---

|  |    |
|--|----|
| <b>Chapter 1—The Importance of Corporate Social Responsibility</b> ..... | 11 |
|--|----|

---

|  |    |
|--|----|
| <b>Chapter 2—Governance and Management Practices</b> .....                               | 17 |
| Business Risk: Director and Officer Accountability .....                                 | 17 |
| Business Risk: Compulsory Reporting Through Regulatory Intervention .....                | 19 |
| Business Risk/Opportunity: Socially Responsible Investing and Shareholder Activism ..... | 20 |
| Business Risk/Opportunity: Access to Capital .....                                       | 21 |

---

|   |    |
|---|----|
| <b>Chapter 3—Human Resources Management</b> .....   | 23 |
| Business Risk/Opportunity: Attraction and Retention of Talent that Values Engagement and Opportunity .. | 23 |
| Business Risk/Opportunity: Demographics and a Changing Labour Market .....                              | 24 |
| Business Risk/Opportunity: Diversity .....  | 25 |

---

|  |    |
|--|----|
| <b>Chapter 4—Community Investment and Involvement</b> .....                            | 26 |
| Business Opportunity: Competitive Advantage through Strong Stakeholder Relations ..... | 26 |
| Business Risk/Opportunity: Sustainability of Business Operating Environment .....      | 26 |
| Business Risk/Opportunity: Maintaining a “Social Licence to Operate” .....             | 27 |

---

|  |    |
|--|----|
| <b>Chapter 5—Environment, Health and Safety</b> .....  | 28 |
| Business Risk: Criminal Liability for Workplace Accidents .....  | 28 |
| Business Risk: Carbon Risk .....   | 28 |
| Business Risk: Disclosure of Environmental Liabilities .....   | 29 |
| Business Opportunity: Cost Savings and Innovation .....  | 30 |
| Business Risk/Opportunity: Consumer Expectations of Product Stewardship and<br>Environmental Responsibility in the Value Chain ..... | 30 |

---

|   |    |
|---|----|
| <b>Chapter 6—Human Rights</b> .....   | 32 |
| Business Risk: Increased Stakeholder Expectations of Corporate Human Rights Performance ..... | 32 |
| Business Risk: NGO Activism .....   | 33 |
| Business Risk: Regulatory Intervention .....  | 34 |
| Business Risk: Human Rights Impacts of Job Migration .....                                    | 34 |

---

|   |    |
|---|----|
| <b>Chapter 7—Future Directions in Corporate Social Responsibility</b> .....                           | 36 |
| 1. Continuing Debate over Regulating Corporate Accountability .....                                   | 36 |
| 2. Citizen Participation and Stakeholder Engagement .....   | 37 |
| 3. Greater Pressure and Scrutiny about Corporate Canada’s Performance in Society .....                | 37 |
| 4. Corporations: Positioning as Community Leaders while Looking for a Social Return on Investment ... | 37 |
| 5. Toward New International Standards and Accountability Frameworks .....                             | 37 |

|   |    |
|---|----|
| 6. Building Confidence: Transparency and Corporate Social Responsibility Reporting .....  | 38 |
| 7. Increased Interest by the Financial Community in Corporate Social Responsibility ..... | 38 |
| 8. Collective Thinking: Multi-Stakeholder Coalitions for Major Societal Challenges .....  | 39 |
| 9. Managing Social and Environmental Performance in the Value Chain .....                 | 39 |
| <hr/>   |    |
| <b>Conclusion</b> —Concluding Thoughts on Corporate Social Responsibility .....           | 40 |
| <hr/>   |    |
| <b>Appendix A</b> —Stakeholders Interviewed .....   | 41 |
| <hr/>   |    |
| <b>Appendix B</b> —Financial Post’s Top 300 Corporations .....                            | 42 |

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This report is dedicated to the memory of Janet Rostami. A pioneer in the field of corporate social responsibility, her research has made a substantive and lasting contribution to the understanding of CSR in Canada. As a peer, colleague and friend, her passionate dedication to making a difference, as well as her laughter and energy, are missed.

This initiative was made possible by the generous support of the project’s lead and supporting sponsors and their commitment to advancing the body of knowledge on corporate social responsibility in Canada. These organizations are: Alcan; Environment Canada; EPCOR; Foreign Affairs Canada; GlobeScan International; Imperial Tobacco; Industry Canada; NATIONAL Public Relations; Natural Resources Canada; Ontario Ministry of Economic Development, Sears Canada; Social Development Canada; Syncrude; Talisman Energy; TD Bank Financial Group; Telus; and TransCanada.

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# The National Corporate Social Responsibility Report

## Managing Risks, Leveraging Opportunities

**G**lobal pressures are challenging corporations to think differently about the scope of their societal impact. Stakeholders have new standards of business conduct. Corporations need to ensure that all dimensions of their performance reflect the values, interests and expectations of society. Corporate social responsibility (CSR) has become a vital part of a long-term, comprehensive approach to business success.

This report examines how Canadian corporations have responded to these pressures. It presents an analysis of the self-assessed CSR management practices of a sample of 53 large Canadian companies. It also reviews the public reporting practices of the largest 300 corporations in Canada. In doing so, it considers:

- Steps that these corporations are taking to manage their CSR performance;
- Areas of strength and areas for improvement;
- Key business risks associated with emerging pressures; and
- Future pressures that will redefine CSR.

Key findings:

- *Corporate social responsibility will continue to be a key business issue.* Companies will not be able to operate without giving consideration to their operational impact on society. The risks of not keeping pace with market and stakeholder expectations are significant. So, too, are the opportunities for companies that take CSR seriously.
- *CSR is being formally integrated into business conduct.* Industries subject to intensely political or regulated environments, such as mining, energy,

forestry and banking, have responded most strongly to stakeholder demands for CSR practices. Yet CSR applies to all companies. Companies that understand the scope of their societal footprint stand to reap the benefits of CSR. This requires firms to take steps to pro-actively manage their reputation and performance by integrating stakeholder values and interests into decision-making.

- *Two-thirds of the 53 corporations issue CSR reports. Two-thirds of the Top 300 companies do not.* Reporting is a key accountability mechanism. Transparency builds market and stakeholder confidence. It also helps to ensure sound management.

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**All corporations need to know what the scope of their societal footprint is.**

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- *Public disclosures tend to focus on process, not outcomes.* Public reporting does not completely reflect what is actually going on inside companies. Stakeholders want to know what a company is doing, and what its impact is. Linking policies with performance will help to address stakeholder concerns that CSR is little more than public relations.
- *There is opportunity for more corporations to understand the benefits of systematically managing human rights issues.* Stakeholders are most interested in this area of corporate activity. So, systematically addressing this area helps to manage risks more effectively.

- *New pressures will redefine the relationship between Canada's largest corporations and society:*
  - Demands for corporate accountability and pressures for national/international standards of responsible conduct;
  - Canadians want to be more involved in policies, strategies and decision-making;
  - Scrutiny of corporate Canada's performance as societal actors;
- Building market and stakeholder confidence and trust through transparency and information disclosure;
- Interest by the financial community in CSR and its relationship to value creation;
- Emergence of multi-stakeholder coalitions to tackle major societal challenges; and
- Interest in how CSR is being managed throughout the value chain.

## Research Methodology

The research for this report consisted of four substantive activities:

1. A national survey of the Top 300 Canadian corporations identified by the Financial Post was fielded in November 2003. Using the analytical framework of the Corporate Responsibility Assessment Tool, this survey sought to identify the CSR management practices of these 300 companies in five dimensions of CSR-related activity.

A questionnaire, consisting of 47 questions (representing 60 indicators), was mailed to the President and/or Chief Executive Officer of each company. Each company was invited to assess and report on the current state of their practices, and to return the completed questionnaire via fax or mail. Out of the 300 questionnaires fielded, 53 were completed and returned, for a response rate of 18 per cent.

Where a Top 300 corporation is a subsidiary of a global parent (e.g., IBM Canada), we examined disclosures made by both the subsidiary and the parent. We sought to identify information specific to the subsidiary. Where such information was not identified as separate from that of the global parent, we assessed parent information. Where information provided by the parent corporation indicated (or there was a reasonable expectation) that management practices were standardized in all business units (e.g., environmental management systems), we recorded the Canadian subsidiary as employing the practice.

This report presents aggregated corporation results at the industry level. Reported information is assumed to be accurate. We did not verify the accuracy, veracity or precision of the information supplied. We also assume that there is some degree of response bias to the research results (respondent companies are considered to be CSR leaders).

2. A comprehensive analysis of publicly available corporate information (e.g., corporate website, annual reports, information circulars, speeches) for all 300 corporations was also conducted.
3. The 53 questionnaires completed by companies were compared to the publicly available information for the same 53 companies. This comparison provided insight into levels of variance (absolute and percentage) between what these companies are doing internally and the information on which they are publicly reporting.
4. Interviews were conducted with 24 stakeholders, representing a range of public, private and civil society organizations. From October to November 2003, 24 individuals, drawn from a range of not-for-profits/NGOs, industry associations and interested observers, were interviewed. Interviews were conducted over the phone and, where possible, in person. The list of stakeholder organizations is provided in Appendix A.

## How the Indicators Were Selected

To identify the indicators, we followed a three-step process:

- Alignment of methodology with emerging international standards of quality in corporate social responsibility research. In our view, this report is in compliance with 9 of the 10 standards outlined in the Corporate Social and Sustainability Research Quality Standard.<sup>1</sup>
- Alignment of indicators with the Corporate Responsibility Assessment Tool framework.
- Referencing the literature on the content and boundaries of CSR reporting,<sup>2</sup> to narrow our selection to generic variables that:
  - Align with the Global Reporting Initiative, *Sustainability Reporting Guidelines*;
  - Have been identified by global research as resonating with the needs of a wide range of stakeholders;
  - Are material and relevant to the operations of most Canadian corporations;
  - Are measurable and amenable to aggregation at the sectoral and macro level; and
  - Are broadly available through corporate public reporting and information disclosure mechanisms (such as corporate websites, information circulars, Management Discussion and Analysis documents).

1 The CSSR-QS 1.0 is a pilot technical document, which was developed by European CSR assessment and rating agencies. The objective of the standard is to ensure the transparency and accountability of research organizations in assessing the social, economic and environmental performance of corporations.

2 We reviewed: 1. Global Reporting Initiative deliberations on boundary definition for entities reporting on CSR and sustainability issues; 2. U.K. Company Law Review documents and submissions concerning "materiality;" 3. the findings of Stratos Inc.'s study on sustainability reporting in Canada; and 4. PricewaterhouseCoopers and KPMG annual global surveys of corporate sustainability, corporate ethics and human capital.

# Corporate Social Responsibility in Canada

**C**orporate social responsibility (CSR) is a key issue for all corporations. It is about pursuing long-term corporate objectives in a manner that balances corporate decision-making, behaviour and performance with the evolving values, norms and expectations of society.

Although the term “CSR” is used in this report, other labels also describe the relationship between corporations and society: corporate sustainability, citizenship and stewardship, responsible business, and the “triple bottom line” of social, economic and environmental performance.

Corporations are being challenged to think about their societal footprint in a much wider and holistic manner than before. More stakeholders<sup>1</sup> and issues are affected by corporate activity. “Stakeholders” are constituencies that have an interest in the activity of the firm. The social and political legitimacy and support afforded by stakeholders can shape corporate competitiveness and corporations’ ability to operate.

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**Recent scandals have undermined the trust of the market and stakeholders in the integrity of corporate leadership.**

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Corporate values and a desire on the part of leaders to “do the right thing” have led some Canadian corporations to consider CSR to be central to the way they do business. In other cases, CSR has emerged as a pragmatic management response to pressures in the operating environment.

Pressures are being exercised by a multitude of constituencies. For example, recent governance and accounting scandals have undermined the trust of the market and stakeholders in the integrity of corporate leadership.

### Report Structure

The *Introduction* presents the key findings of the Conference Board’s research into the CSR management practices of some of Canada’s largest corporations.

Industry profiles (4) are located at the end of the introduction. These profiles examine social and environmental issues that raise corporate risks and opportunities for member corporations.

*Chapter 1* explains the importance of corporate social responsibility.

*Chapters 2 to 6* explore the research findings, as they relate to each of the Corporate Responsibility Assessment Tool’s (CRAT) five categories: governance and management practices; human resource management; community investment and involvement; environment, health and safety; and human rights. Each chapter places the research in the context of emerging business risks and opportunities.

*Chapter 7* looks at CSR-related issues that will become increasingly important to Canadian corporations in the future.

The *Conclusion* summarizes the report.

Consumers are voicing their desire for ethical and socially responsible trade. They are exercising their purchasing power to drive change. Social responsibility is increasingly understood to be the underpinning of global sustainable development. Non-governmental organizations are exploring new and innovative ways to engage corporations. They are also pushing their demands for mandatory standards of corporate responsibility and accountability. The financial community is waking up to the importance of CSR. For investors, CSR is tied to managing risk and protecting valuable intangible assets, such as reputation, brand, intellectual capital and social capital.

### The Conference Board of Canada’s Contribution to the CSR Debate

This report fits within the framework of the Conference Board’s mission to build leadership capacity for a better Canada. Corporate social responsibility is an issue for all Canadians. How Canadian corporations respond to changing societal values and the public’s expectations of their responsible performance has implications for our competitiveness and quality of life. Thus, there is a need for informed discussion about the evolving relationship between corporations and society. While the body of knowledge devoted to CSR has broadened and deepened in recent years, significant gaps remain.

This report addresses some of these gaps. By exploring key issues and presenting evidence of corporate Canada’s response to the challenges of CSR, this report lays the foundation for much richer and more informed analysis and discussion. Subsequent reports, to be issued on an annual basis, will add to that foundation.

### **The Corporate Responsibility Assessment Tool (CRAT)**

In 2001, The Conference Board of Canada and Imagine undertook a series of stakeholder consultations across Canada. The purpose of these consultations was to gather input on the needs of Canadian companies that were trying to implement corporate responsibility programs. These companies were also responding to the rising number of overlapping, and sometimes conflicting, international voluntary codes, guidelines, standards and principles. In 2003, as a result of these consultations with non-governmental organizations (NGOs), industry associations, government and other civil organizations, the Corporate Responsibility Assessment Tool (CRAT) was created.

Stakeholders were active participants in assessing the value, relevance and utility of the CRAT framework and indicators. Many of the international norms, values and rights, around which a global consensus is emerging, are reflected in the CRAT. For example, the CRAT incorporates significant elements of leading international initiatives, such as the Global Compact, OECD Guidelines for Multinational Enterprises, Global Reporting Initiative, Social Accountability 8000 and AccountAbility 1000. It also embodies the core values and norms affirmed in international standards and conventions, such as those outlined in the UN Declaration on Human Rights and International Labour Organization Core Conventions. We selected those elements that business and stakeholders considered to be the most important and relevant to both the domestic and international operations of Canadian corporations.

The CRAT examines five dimensions of CSR common to the domestic and worldwide activity of Canadian corporations:

- Governance and management practices
- Human resources management practices
- Community investment and involvement
- Environment, health and safety
- Human rights

These pressures have transformed CSR from merely being about philanthropy or environmental protection to a concept that is much broader in scope. Stakeholders hold new standards and expectations of business conduct. Companies must now ensure that their performance outcomes and the manner in which they are achieved, reflect the values, interests and expectations of society.

This report maps the self-assessed CSR management practices of a sample of Canada's largest corporations. In doing so, it considers:

- Steps that these corporations are taking to manage the scope of their CSR performance;
- The areas of strength or improvement;
- The risks and opportunities that arise from current pressures; and

- Future pressures that will redefine the scope of CSR and challenge corporate competitiveness.

This report is divided into two parts. The first part presents a picture of how CSR is being managed in selected companies. It is important to note that the scope of a corporation's expression of CSR can cover a wide spectrum of methods and degrees of participation. The indicators selected for review in this report are a preliminary attempt to map, based on sound methodology, areas of CSR management practice. The 60 management indicators<sup>2</sup> examined here relate to five dimensions of CSR:

- Governance and management practices;
- Human resources management;
- Community investment and involvement;
- Environment, health and safety; and
- Human rights.

Findings relate to two groups of companies. One group is comprised of 53 surveyed corporations. They represent 26 industries and four types of ownership models, taken from the Top 300 companies in Canada. These companies are among the leaders in Canadian CSR. The second group consists of the 300 largest Canadian corporations, including those surveyed.

For the former, we examine each company's self-assessed internal and external CSR practices. For the latter, public reporting practices are assessed. Table 1 presents summary statistics for both groups. Where indicators are aligned with aspects of the Global Reporting Initiative,<sup>3</sup> the relevant aspect number is indicated.

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**Pressures have transformed CSR from merely being about philanthropy or environmental protection to a concept that is much broader in scope.**

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The second part relates research findings to emerging issues. The risks and opportunities arising from these issues are discussed. One chapter is devoted to each of the five dimensions of CSR.

**Table 1**  
Summary Statistics

|   | Global Reporting Initiative relevant indicator*                                      | Survey of 53 companies— self-assessed practices Yes % | Survey of 53 companies— information they publicly report Yes % | Top 300 companies— information they publicly report Yes % |
|---|--|---|--|---|
| <b>GOVERNANCE AND MANAGEMENT PRACTICES</b>  |  |   |  |   |
| Board of Directors considers social and environmental issues on a regular basis   | Indicator 3.1: Governance structure and management systems— structure and governance |   |  |   |
| Social  |  | 70  | 32   | 34  |
| Environmental   |  | 76  | 70   | 54  |
| -----   |  |   |  |   |
| Board of Directors has formal processes to consider social and environmental issues   | Indicator 3.4: (as above)  |   |  |   |
| Audit committee   |  | 68  | 60   | 54  |
| Environmental issues committee  |  | 40  | 36   | 33  |
| Ethics committee  |  | 8   | 6  | 6   |
| Corporate social responsibility committee   |  | 15  | 9  | 11  |
| -----   |  |   |  |   |
| Social and environmental measures reported to the Board of Directors  | Indicator 3.8: (as above)  |   |  |   |
| Social  |  | 57  | 21   | 25  |
| Environmental   |  | 79  | 45   | 43  |
| -----   |  |   |  |   |
| Company provides information on social or environmental policies, and risks in the Management Discussion and Analysis disclosure      |  |   |  |   |
| Social policies   |  | 21  | 21   | 11  |
| Environmental policies  |  | 34  | 34   | 28  |
| Social risks  |  | 26  | 26   | 13  |
| Environmental risks   |  | 49  | 49   | 30  |
| -----   |  |   |  |   |
| Company has a formal code of conduct or formal code/policy of ethics  | Indicator 3.7: (as above)  | 94  | 49   | 30  |
| -----   |  |   |  |   |
| Company has a comprehensive and systematic management system to control the social and environmental dimensions of corporate activity | Indicator 3.6: (as above)  |   |  |   |
| Social  |  | 55  | 8  | 8   |
| Environmental   |  | 75  | 8  | 16  |
| -----   |  |   |  |   |
| Company audits its social or environmental activities   | Indicator 3.6: (as above)  |   |  |   |
| Social audit—internal   |  | 34  | 8  | 16  |
| Environmental audit—internal  |  | 66  | 47   | 22  |
| Social Audit—external   |  | 26  | 0  | 3   |
| Environmental Audit—external  |  | 45  | 40   | 19  |
| -----   |  |   |  |   |
| Company verifies the results of these audits  |  |   |  |   |
| Social verification   |  | 30  | 2  | 3   |
| Environmental verification  |  | 55  | 2  | 5   |
| -----   |  |   |  |   |
| Executive compensation tied to social or environmental performance measures   | Indicator 3.5: (as above)  |   |  |   |
| Social  |  | 18  | 0  | 1   |
| Environment   |  | 43  | 0  | 1   |

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**Table 1 (cont'd)**  
Summary Statistics

|   | Global Reporting Initiative relevant indicator*   | Survey of 53 companies—self-assessed practices Yes % | Survey of 53 companies—information they publicly report Yes % | Top 300 companies—information they publicly report Yes % |
|---|---|--|---|--|
| Company regularly reports on CSR issues   |   | 62   | 62  | 36   |
| Stand alone   |   | 67   | 67  | 79   |
| Annual—social   |   | 21   | 21  | 16   |
| Annual—environmental  |   | 27   | 27  | 27   |
| Frequency—annual  |   | 97   | 97  | 94   |
| <b>HUMAN RESOURCE MANAGEMENT</b>  |   |  |   |  |
| Workforce diversity policy  | Indicator LA10: Social Performance indicators—diversity and opportunity   | 81   | 59  | 28   |
| Processes and practices to foster diversity   | Indicator LA10: (same as above)   | 79   | 62  | 10   |
| Human resource policy   | Indicator LA10: (same as above) + HR4: Social performance indicators human rights—non-discrimination  | 96   | 0   | 7  |
| Employees encouraged and given the opportunity to participate in its development and updating |   | 75   | 0   | 1  |
| Programs that focus on the development of employment for:                                     |   |  |   |  |
| Youth   |   | 60   | 21  | 4  |
| Disabled  |   | 55   | 1   | 4  |
| Women   |   | 62   | 1   | 4  |
| Visible minorities  |   | 53   | 6   | 5  |
| Indigenous peoples  |   | 64   | 13  | 4  |
| Employee needs assessments to determine employee benefits                                     | Indicator LA12: Social performance indicators—employment  | 74   | 2   | 2  |
| Policy regarding employee skills development and training                                     | Indicator LA12: Social performance indicators—employment<br>Indicator LA9: Social performance indicators—training and education<br>Indicator LA16: Social performance indicators—training and education<br>Indicator LA17: Social performance indicators—training and education | 94   | 2   | 18   |
| Confidential grievance or complaints process for workers                                      |   | 92   | 1   | 3  |
| <b>COMMUNITY INVESTMENT AND INVOLVEMENT</b>   |   |  |   |  |
| Encourage employees to volunteer* in the community  |   | 87   | 38  | 21   |
| Encourage the use of local suppliers in procurement   |   | 68   | 8   | 4  |

(cont'd on next page)

**Table 1 (cont'd)**  
Summary Statistics

|  | Global Reporting Initiative relevant indicator*  | Survey of 53 companies— self-assessed practices Yes % | Survey of 53 companies— information they publicly report Yes % | Top 300 companies— information they publicly report Yes % |
|--|--|---|--|---|
| Formal stakeholder relations policy                          | Indicator SO1: Social performance indicators—community<br>Indicator 3.10: Governance structure and management systems—structure and governance | 43  | 21   | 9   |
| Formal stakeholder relations management approach             | SO 1, 3.10: (same as above)  | 72  | 25   | 9   |
| Formal Aboriginal relations policy                           |  | 49  | 17   | 10  |
| <b>ENVIRONMENT, HEALTH AND SAFETY</b>                        |  |   |  |   |
| Workforce safety education and training                      | Indicator LA7: Social performance indicators—health & safety   | 100   | 51   | 27  |
| Environmental management system                              | Indicators: 3.14, 3.20: Governance structure and management systems overarching policies and management systems                                | 70  | 40   | 30  |
| ISO 14001 certified  |  | 24  | 30   | 22  |
| Industry aligned   |  | 41  | 11   | 12  |
| Active management of greenhouse gas emissions                | Indicators EN8, EN30: Environmental performance indicators—emissions, effluents and waste  | 49  | 44   | 20  |
| Eco-efficiency practices                                     |  | 89  | 19   | 22  |
| Reducing material intensity                                  |  | 57  | 17   | 13  |
| Reducing energy intensity                                    |  | 77  | 17   | 12  |
| Reducing the dispersion of toxic substances                  |  | 66  | 9  | 10  |
| Enhancing the recyclability of materials                     |  | 75  | 19   | 13  |
| Maximizing the sustained use of renewable resources          |  | 49  | 8  | 13  |
| Extending the durability of products                         |  | 53  | 0  | 4   |
| Increasing the service intensity of goods and services       |  | 47  | 4  | 2   |
| Adoption of environmental technologies                       |  | 68  | 32   | 24  |
| Physical treatment   |  | 43  | 8  | 12  |
| Chemical treatment   |  | 34  | 8  | 5   |
| Biological treatment   |  | 28  | 0  | 0   |
| Thermal treatment  |  | 24  | 0  | 0   |
| Energy conservation technologies                             |  | 57  | 17   | 9   |
| Consider environmental impacts in investment and procurement | Indicator EN33: Environmental performance indicators—suppliers   | 79  | 9  | 6   |
| Investment   |  | 62  | 4  | 3   |
| Procurement  |  | 66  | 8  | 6   |

(cont'd on next page)

**Table 1 (cont'd)**  
Summary Statistics

|  | Global Reporting Initiative relevant indicator*  | Survey of 53 companies— self-assessed practices Yes % | Survey of 53 companies— information they publicly report Yes % | Top 300 companies— information they publicly report Yes % |
|--|--|---|--|---|
| <b>HUMAN RIGHTS</b>  |  |   |  |   |
| Publicly stated commitment to internationally proclaimed human rights                        | Indicator HR1: Social performance indicators—human rights—strategy and management  | 38  | 38   | 10  |
| Public support for the Universal Declaration of Human Rights                                 | Indicator HR1: (same as above)   | 26  | 26   | 10  |
| Human rights policy  | Indicators HR2, HR3: Social performance indicators—human rights—strategy and management  | 72  | 28   | 8   |
| Consider human rights impacts in investment and procurement                                  |  | 58  | 0  | 2   |
| Investment   |  | 38  | 0  | 2   |
| Procurement  |  | 38  | 0  | 2   |
| Communication of this policy to suppliers, business partners and distributors                |  | 45  | 0  | 1   |
| Non-discrimination policy  | Indicator HR4: Social performance indicators—human rights—non-discrimination—<br>Indicator LA10: social performance indicators—diversity and opportunity | 92  | 36   | 22  |
| Freedom of association policy  | Indicator HR5: Social performance indicators—human rights—freedom of association and collective bargaining   | 36  | 0  | 1   |
| Freedom of association policy aligned with key International Labour Organization conventions |  | 19  | 0  | 0   |
| System to manage the human rights dimensions of its activity                                 |  | 51  | 8  | 2   |
| Management system components:  |  |   |  |   |
| Monitoring   |  | 47  | 6  | 2   |
| Measuring  |  | 23  | 0  | 1   |
| Reporting  |  | 38  | 2  | 1   |
| Auditing   |  | 21  | 0  | 0   |
| Verification   |  | 21  | 0  | 0   |
| Training:  |  | 45  | 6  | 2   |
| Train employees  |  | 45  | 6  | 2   |
| Train suppliers  |  | 15  | 0  | 0   |

\*Where indicators align with aspects of the Global Reporting Initiative, the relevant aspect number is indicated.  
Source: The Conference Board of Canada.

**KEY FINDINGS**

*CSR is being formally integrated into business conduct.*

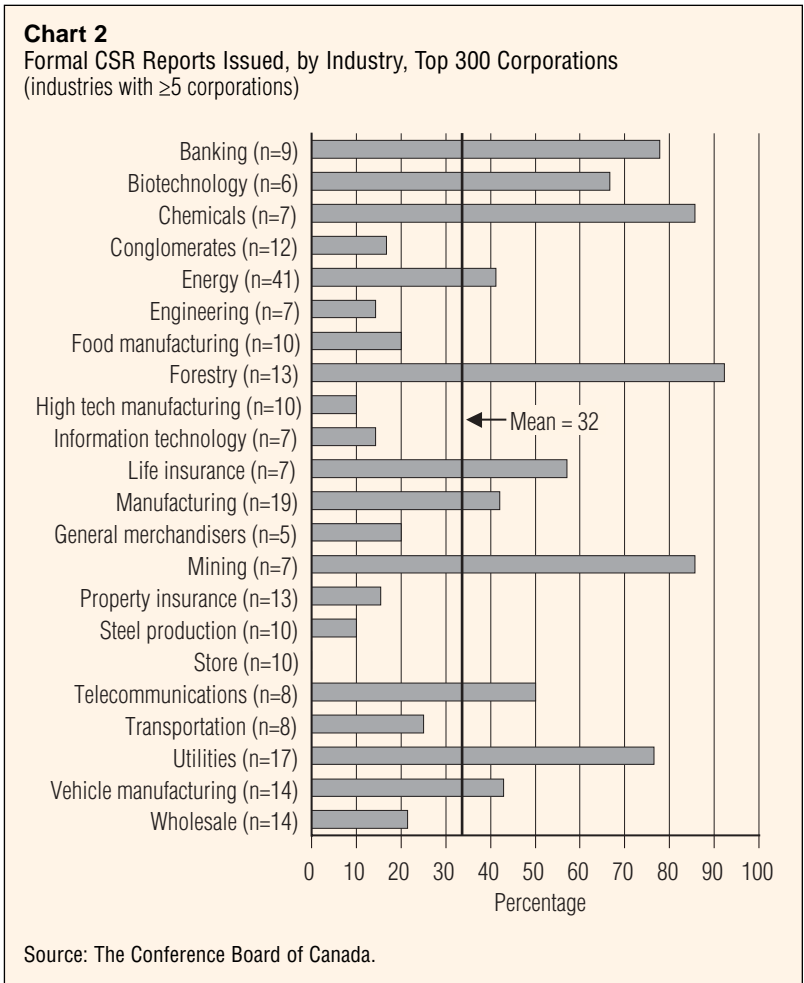
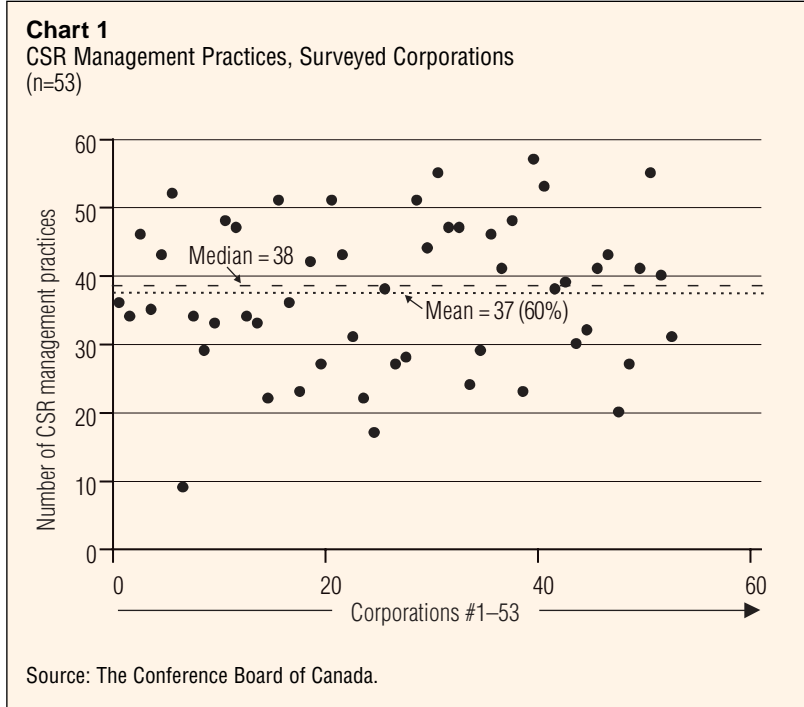
Among the 53 corporations, corporate social responsibility issues are being managed in all five dimensions of CSR. On average, almost two-thirds (60 per cent) of assessed CSR management practices are in place. (See Chart 1.) As Table 1 illustrates, practices vary in their level of adoption. Policies, processes and systems were examined, covering such areas as ethics, stakeholder relations, diversity, community involvement and environmental management.

A number of industries have responded strongly to pressures for socially responsible business conduct. Industries with a heavy social or environmental footprint, operating in highly political and regulatory environments, have made the greatest investment in these practices. Industries that face strong regulatory, stakeholder or capital market pressures to exemplify socially responsible behaviour have responded strongly as well. These include mining, utilities, chemicals, forestry, financial services and energy industries.

*Two-thirds of the 53 corporations issue CSR reports. Two-thirds of the Top 300 companies do not.*

The corporations we surveyed are starting to embrace the practice of reporting about corporate social responsibility. Sixty-two per cent of the 53 companies formally report<sup>4</sup> on CSR issues (e.g., an annual CSR report, or a section on CSR issues in the company’s annual report). Companies that report tend to be those that face the most significant external pressures. In some cases, industry-wide voluntary CSR reporting initiatives have compelled member companies to issue formal reports. Responsible Care in the chemicals industry and Towards Sustainable Mining in the mining industry are two such initiatives.

In other cases, such as forestry, it is market and consumer demands for responsible resource use that have given companies the incentive to report. One factor in the high level of reporting within the banking industry is the introduction of regulatory requirements to issue Public Accountability Statements.



However, the overall number of large Canadian companies disclosing CSR information remains low. While 62 per cent of the 53 companies issue formal CSR reports, 68 per cent of the 300 largest do not. (See Chart 2.) Our public review (e.g., reports, websites and continuous disclosure documents) of the 300 corporations indicates that no company reports publicly on more than 60 per cent of selected indicators. The average corporation reports a mere 12 per cent of the possible 60 indicators, and half of the 300 companies disclose less than 7 per cent of all indicators. (See Chart 3.)

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### **Stakeholders want to relate corporate CSR practices to outcomes.**

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*Public disclosures tend to focus on process, not outcomes.*

There are two reasons why assessing corporate social responsibility performance is difficult. One is that CSR policies and management practices are generally not being linked to outcomes. The other is that, where information is available, no standardized form of reporting exists. Metrics are often not comparable from one company to the next and there is a lack of substantive outcome measures, against which to validate key performance indicators. Defining commonly accepted standards and benchmarks for socially responsible behaviour that also take industry differences into account would facilitate comparative analyses.

Relating practices to performance is important. While stakeholders are interested in finding out how companies voluntarily manage themselves, they also want to relate these practices to the achievement of outcomes.

Public disclosures also consistently underreport what the 53 companies studied are actually doing. Chart 4 shows a discrepancy between how the 53 companies assessed themselves and how they reported publicly. As a result, stakeholder assessments of corporate performance may underestimate the true extent of a company's CSR management capacity.

Co-operatives and Crown corporations could profit even more from public reporting. (See Chart 5.) In principle, these corporations are in a good position to take advantage of interest in CSR. Co-operatives emphasize democratic decision-making and commitments to social development goals. Crown corporations operate in the public interest, often with an emphasis on social and environmental responsibility. Yet their level of reporting is similar to that of publicly traded corporations.

*There is opportunity for more corporations to understand the benefits of systematically managing human rights issues.*

Pro-active approaches to managing human rights performance can yield business benefits. Fifty-one per cent of these 53 companies have a system to manage human rights issues. (See Chart 6.) Yet human rights issues apply to all corporations, both at home and abroad. And domestic legislation, alone, does not cover the full scope of human rights performance. Human rights issues are not limited to textile and garment manufacturers' "sweatshop" labour conditions, or the involvement (direct or indirect) overseas corporations have in supporting corrupt, abusive host government regimes. The risks of not being proactive in this area are significant. Stakeholders are increasingly seeking to identify corporate involvement, either directly or indirectly, in human rights abuses. Companies active in ensuring the human rights performance of partners, suppliers and distributors stand to protect their reputation.

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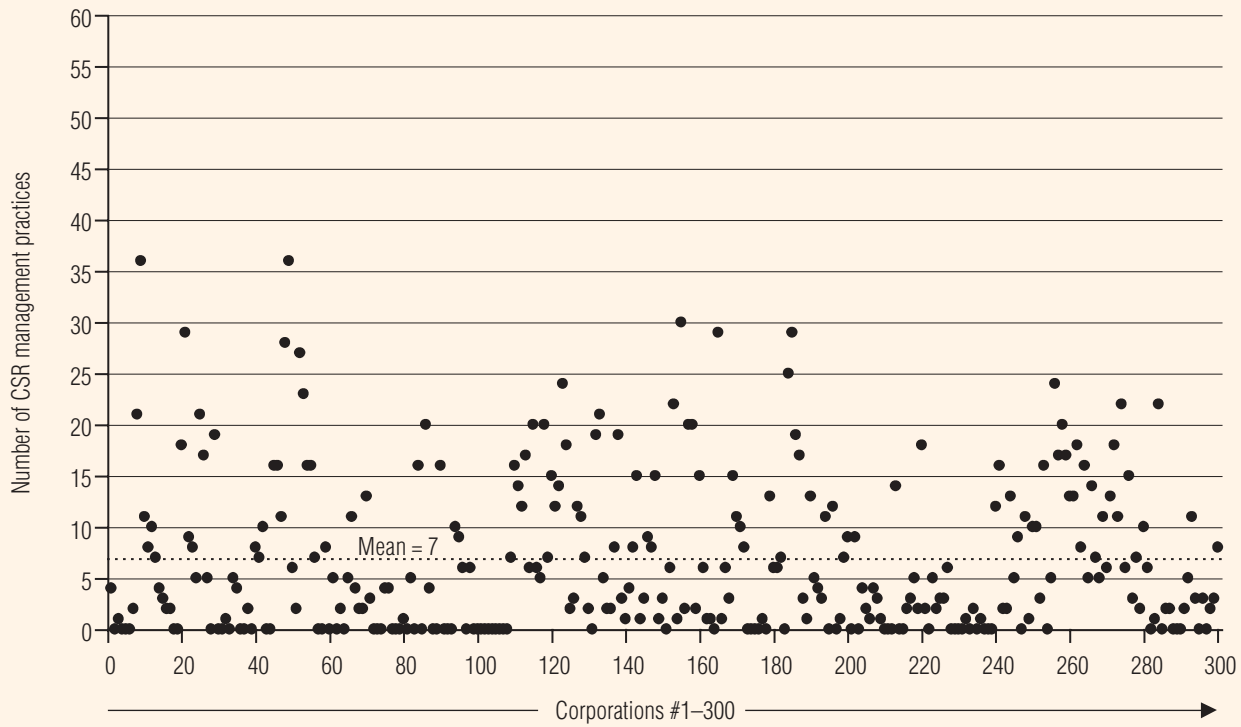
1 The concept of "stakeholders" has been explored at length in the literature. For example, a survey article, "Stakeholder Theory: The State of the Art," in *The Blackwell Guide to Business Ethics* (2002), traces stakeholder theory to the 1930s. For further reading, see: R.E. Freeman, *Strategic Management: A Stakeholder Approach* (Boston: Pitman, 1984); The Clarkson Centre for Business Ethics, *Principles of Stakeholder Management* (Toronto: University of Toronto press, 1999); J. Andriof, et. al., *Unfolding Stakeholder Thinking: Theory, Responsibility and Engagement*. (Sheffield, England: Greenleaf Publishing, 2002).

2 Subsequent work will increase the breadth and sophistication of this mapping exercise.

3 The Global Reporting Initiative is a "sustainability reporting" standard, supported by multiple stakeholders. For more information [on-line], visit <[www.globalreporting.org](http://www.globalreporting.org)>.

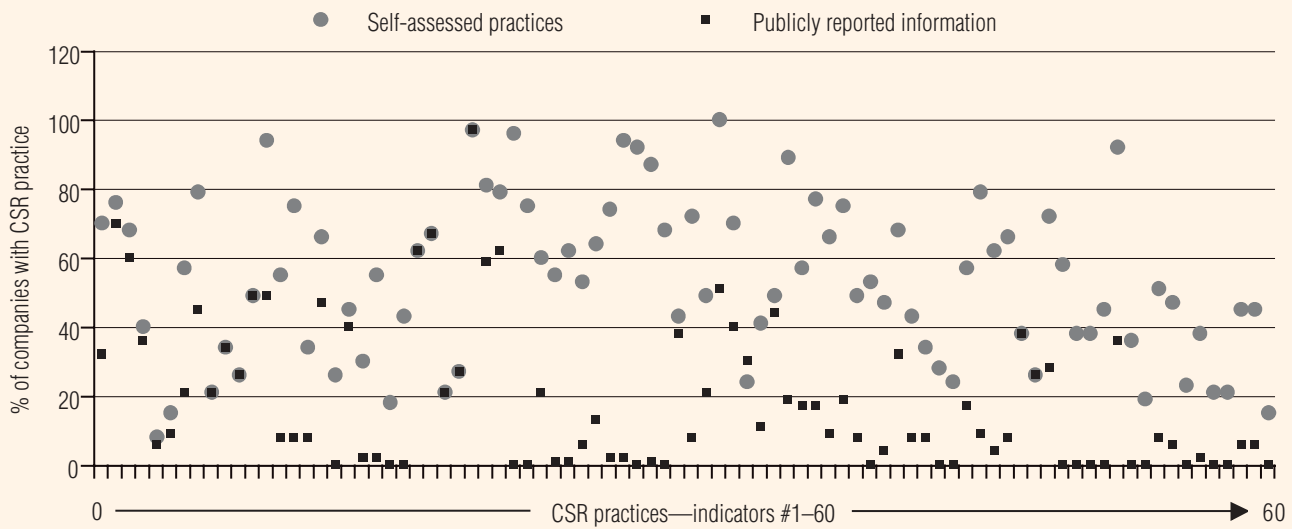
4 For the purpose of this report, formal CSR reporting is defined as "a stand-alone report or substantive section in the annual report" (five or more pages, containing performance information on the social, economic and environmental dimensions of corporate conduct).

**Chart 3**  
Publicly Disclosed CSR Management Practices, Top 300 Corporations  
(n=300)



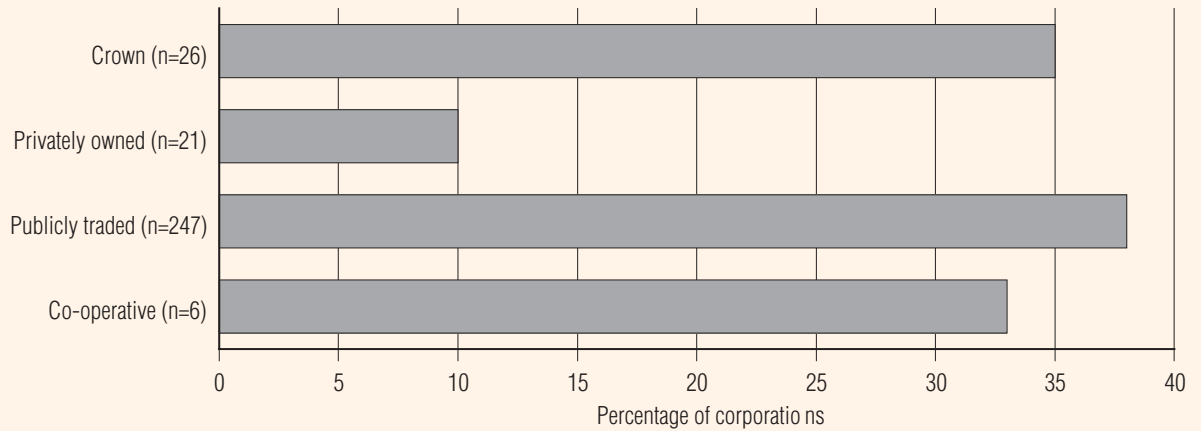
Source: The Conference Board of Canada.

**Chart 4**  
Comparison of Self-assessed versus Publicly Reported CSR Management Practices  
(survey of 53 companies)



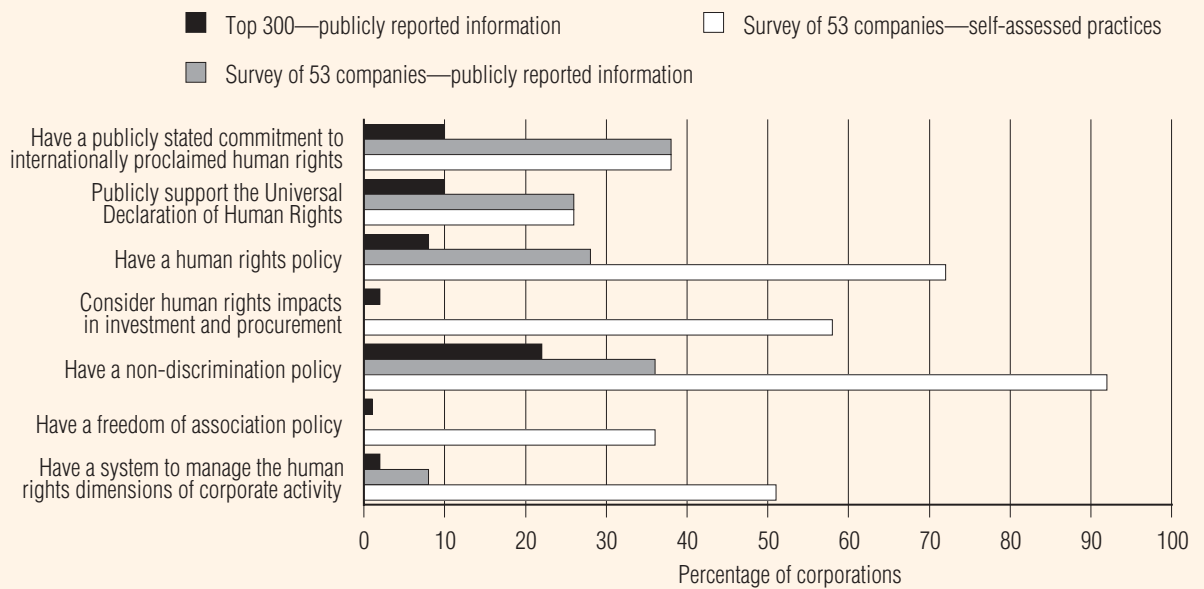
Source: The Conference Board of Canada.

**Chart 5**  
Formal CSR Reports Issued, by Ownership Type, Top 300 Corporations



Source: The Conference Board of Canada.

**Chart 6**  
Human Rights Management Practices



Source: The Conference Board of Canada.

# The Importance of Corporate Social Responsibility

**W**hy should Canada's largest corporations care about corporate social responsibility? At a minimum, they should care because their private decisions have very public effects. In the course of conducting business, the 300 largest Canadian corporations exert powerful societal influence. In 2002, these corporations, spanning 39 industries, had combined revenues of approximately \$1 trillion dollars. Nearly three million employees were directly employed in their domestic and global operations.<sup>1</sup>

Corporate values or mandates may dictate that socially responsible behaviour is the "right" or "appropriate" thing to do. CSR also represents an important component of a broader commitment to sustainable development and managing the "triple bottom line" of social, economic and environmental performance. The threat of regulation and mandatory standards is often also an important driver of voluntary corporate approaches to social responsibility.

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### **Ethical and green consumerism is creating opportunities for corporations to differentiate themselves in the marketplace.**

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Beyond these considerations, there is a compelling generic business case to be made. A significant body of knowledge<sup>2</sup> has emerged to suggest that corporations that voluntarily conduct themselves in a socially responsible manner stand to benefit from those actions. Depending on the particular circumstances and specific business drivers of a corporation, its ability to engage in CSR can help to manage risks, as well as to identify and capture new business opportunities. The challenge for individual Canadian corporations is to identify which

drivers and dimensions of CSR are most relevant to their business. Here are some of the most common ones:

- *Reputation and brand management:* CSR performance accounts for over 25 per cent of the "image and reputation" driver of customer satisfaction for one company. Statistical analysis shows that a 1 per cent improvement in the public's perception of the company's CSR activities results in a 0.1 per cent increase in their retail customer satisfaction figures.<sup>3</sup>
- *Business risk management:* Expanding the scope of decision-making to include non-financial areas of corporate performance can help to identify, mitigate or manage emerging risks. For example, exposure to carbon risk or environmental liability can be a significant potential cost to future operations.
- *Employee recruitment, motivation and retention:* A 2000 survey conducted by Market Explorers and The Conference Board of Canada<sup>4</sup> found that 71 per cent of employees want to work for companies that commit to social and community concerns.
- *Access to capital:* Retail and institutional investors are factoring values and CSR expectations into portfolio management. As of June 2002, there was \$51.4 billion in socially responsible investment assets in Canada. And, as of August 2003, 19 resolutions had been filed by individual and institutional investors with publicly traded Canadian corporations on CSR-related issues.
- *Learning and innovation:* Stakeholders can be catalysts for corporate innovation. Knowledge networks created through engagement can be fertile ground for the generation, development and implementation of new and innovative ideas.<sup>5</sup>

- *Cost savings and operational efficiency:* Managing energy productivity and efficiency can lead to bottom line cost savings. For example, increased energy efficiency and intensity can lead to large savings, relative to overall energy budgets.<sup>6</sup>
- *Competitiveness and market positioning:* In 2001–2002, 54 per cent of Canadians indicated that they translated perceived social irresponsibility into consumer action.<sup>7</sup> Ethical and green consumerism is creating opportunities for corporations that seek marketplace differentiation. Increasingly, consumers, business partners and distributors are paying attention to the manner in which products are produced (e.g., corruption and bribery, responsible resource extraction).
- *Social licence to operate:* Establishing trust through positive relationships with local communities can help to ensure efficient and effective operations.
- *Improved relations with regulators:* Meaningful stakeholder engagement helps companies to navigate and expedite regulatory approval processes, which govern right-of-ways, access easements, land-use permits and environmental impacts.<sup>8</sup>
- *Organizational transformation and continual improvement:* Commitment to transparency and public information disclosure can be a powerful driver of cultural change and internal process improvements.

1 The Financial Post, *The Top 300 Corporations* (Toronto: The Financial Post, 2003).

2 For example: The Conference Board of Canada, *Sustainable Development, Value Creation and the Capital Markets* (Ottawa: The Conference Board of Canada, 2003); Arthur D. Little, *The Business Case for Corporate Citizenship* (2002); D.J. Reed, *Stalking the Elusive Business Case for Corporate Sustainability* (World Resources Institute, 2001); Global Environmental Management Institute, *Environment: Value to the Top Line* (2001); The Conference Board, Inc., *The Link Between Corporate Citizenship and Financial Performance* (New York: The Conference Board, Inc., 1999); Aspen Institute, *Uncovering Value: Integrating Environmental and Financial Performance* (1998).

3 [On-line]. [Cited April 26, 2004.] Available from British Telecom's website, <www.bt.com>.

4 Corporate Citizen Poll conducted by MarketExplorers surveyed 803 Canadians in January/February 2000.

5 D. Greenall, *Organizational Innovation: The Link with Stakeholder Engagement* (Ottawa: The Conference Board of Canada, September 2003).

6 The Conference Board, Inc., *Aggressive Energy Productivity Management Pays Big Dividends* (New York: The Conference Board, Inc., 2004).

7 GlobeScan International, *CSR Monitor 2003* (GlobeScan, 2003).

8 D. Greenall, and D. Rovere, *Engaging Stakeholders and Business-NGO Partnerships in Developing Countries* (Ottawa: The Centre for Innovation in Corporate Responsibility, 1999).

## INDUSTRY PROFILE: **BANKING\***

### **Corporate Social Responsibility in Canada's Banking Industry**

Long considered a sector with a low negative environmental (pollution and greenhouse gas emissions) and social footprint, Canadian financial institutions are now realizing that the scope of their footprint is actually much wider.

Along with managing the impact of their own operations, financial institutions have a critical role to play in encouraging clients to operate responsibly and mitigate their social and environmental impacts. Since financial institutions control the flow of capital, their lending, project financing, and insurance policies and practices can influence the behaviour of businesses they support. Social and environmental issues can pose significant potential credit and investment risks.

Global NGOs have been targeting financial institutions. They are calling on them to enhance screening criteria for financing, to ensure that those projects they support do not cause or contribute to environmental degradation, social injustice or human rights abuses.

### **Environmental Issues**

- Environmental liabilities pose risks for lending institutions, such as legal liability for damage to third parties, and negative impact on the value of loan collateral.
- The scope of environmental responsibility for lending institutions is being extended by some stakeholders to include the practices of clients. Financial institutions are being called upon to integrate standards of environmental responsibility into lending and investment screening activities.

### **Social Issues**

- Annual Public Accountability Statements are now mandatory for financial institutions. Financial institutions with assets of greater than \$1 billion are required to disclose information on corporate activity in the following areas: charitable giving, jobs, financial products, and branch openings and closings.
- As of December 2003, three Canadian banks (RBC Financial, CIBC and HSBC Canada) have publicly committed to the "Equator Principles," a voluntary set of guidelines for managing social and environmental issues in project financing. They join 12 other global financial institutions in supporting these principles. Under the guidelines, participating banks will require projects to comply with the International Finance Corporation's Environmental, Health and Safety Guidelines, or to justify any deviations to the satisfaction of the bank.<sup>1</sup> While they are supportive of the broad direction these principles signify, global NGOs have criticized the guidelines as being inadequate, because they do not require transparency, human rights protection, or the conservation of endangered ecosystems.<sup>2</sup>

\*Note: Includes commercial and investment banks

1 International Finance Corporation, *Equator Principles*, [on-line]. [Cited April 20, 2004.] Available from, <[www.ifc.org/equator](http://www.ifc.org/equator)>.

2 BankTrack.org, [on-line]. In January 2003, over 100 global civil society organizations jointly issued the "Collevechio Declaration on Financial Institutions and Sustainability." Available from, <[http://www.financeadvocacy.org/mod.php?mod=userpage&menu=3&page\\_id=10](http://www.financeadvocacy.org/mod.php?mod=userpage&menu=3&page_id=10)>.

### **Industry Corporations by Revenue Rank**

|     |                                    |
|-----|------------------------------------|
| 5   | RBC Financial                      |
| 13  | The Bank of Nova Scotia            |
| 14  | Canadian Imperial Bank of Commerce |
| 16  | The Toronto-Dominion Bank          |
| 19  | Bank of Montreal                   |
| 65  | National Bank of Canada            |
| 139 | HSBC Bank Canada                   |
| 202 | Laurentian Bank of Canada          |
| 259 | Alberta Treasury Branches          |

## INDUSTRY PROFILE: BIOTECHNOLOGY/PHARMACEUTICAL\*

### Corporate Social Responsibility in Canada's Bio-Technology and Pharmaceuticals Industry

Canada's bio-technology and pharmaceutical companies face unique ethical pressures. The management practices and CSR initiatives of these Canadian companies are typically aligned with those of the parent. Canadian bio-tech/pharmaceutical companies are being viewed and judged on the basis of their local community-based charitable giving and social investment activities, as well as their overall corporate brand's reputation.

### Industry Corporations by Revenue Rank

|     |                           |
|-----|---------------------------|
| 149 | Pfizer Canada Inc.        |
| 200 | Biovail Corp.             |
| 205 | Glaxo SmithKline Inc.     |
| 228 | Merck Frosst Canada & Co. |
| 247 | AstraZeneca Canada Inc.   |
| 269 | Abbott Laboratories Inc.  |

### Social Issues

- "Bio-piracy" and the commercial application of indigenous communities' traditional environmental knowledge, without consent, is controversial.
- Another highly controversial area is clinical studies that involve the use of animals, and which may cause those animals pain.<sup>1</sup>
- While Canadian subsidiaries are not actively involved, multinational parent corporations are actively collaborating and creating alliances with key stakeholders and multilateral institutions, such as the United Nations and the World Health Organization, to build healthier societies by jointly combating disease (e.g., HIV/AIDS, obesity) in developed and developing countries. Many of these partnerships have emerged as an alternative approach to pharmaceutical innovation for treatment of diseases, for which there is no effective market.<sup>2</sup> These initiatives are an important example of how corporations combine energies and resources to tackle the global health disparities identified in the United Nation's Millennium Development Goals.
- The generation of return on investment<sup>3</sup> through the application of intellectual property rights and patent protection is being challenged by concerned stakeholders, and framed against the need to reduce the price of medicine for patients, especially those in emerging markets, where diseases, such as diabetes, polio, tuberculosis, malaria and HIV/AIDS are prevalent.
- Questions have been raised about the appropriateness and ethics of the marketing practices used by pharmaceutical companies for new drugs and medicines.

### Environmental Issues

- Ethical and philosophical questions are being raised by new gene technologies that will make it possible to directly alter the genetic make-up of plants and animals. The ability to transplant and re-combine genes has led to genetically modified crops being grown in more than 40 countries on six continents, including Canada.<sup>4</sup> Genetically modified foods typically combine important genetic traits, such as nutrients or the ability to resist insects, with plant strains. Controversies around genetically modified crops include concerns over the unwanted and possibly far-reaching effects of transferring trans-genes through cross-pollination, as well as the use of "terminator technologies."<sup>5</sup>

\*Note: Biotechnology is the use of living organisms to develop foods, medicines and other useful products. It includes genetic engineering and cloning.

- 1 Approximately two million animals are used in research, teaching and testing by Canadian laboratories each year. Eighty-five per cent are used for research. Toronto Biotechnology Initiative, *Animal Research: The Concerns* [on-line]. Available from, <<http://www.torontobiotech.org/>>.
- 2 International Federation of Pharmaceutical Manufacturers Associations, *Building Healthier Societies through Partnership*. (Geneva: IFPMA, May 2003).
- 3 Under Canadian legislation and the World Trade Organization, "Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS)," drug patents of Canadian companies are protected for a minimum of 20 years from the moment a patent is filed. Long lead times (10–15 years) associated with developing, testing and approving new medicines means that only 5–10 years of patent life typically remains, before a generic version can be copied and made available.
- 4 Available from the Human Genome Project, <<http://www.nhgri.nih.gov/>>.
- 5 "Terminator technologies" allow patent holders to protect the financial return on their product, by rendering the grain produced by the genetically modified plant sterile. This forces farmers to buy fresh seed from seed companies every year, rather than saving part of their crop to plant the next season. A. Davidge, and M. Saner, *Bridging Troubled Waters: Canada's Role in Connecting Biotechnology to Global Human Needs*, Backgrounder for the Introductory Forum on Biotechnology and Governance (Ottawa: The Institute on Governance, 2003).

## INDUSTRY PROFILE: FORESTRY\*

### Corporate Social Responsibility in Canada's Forestry Industry

Canada's major forestry companies have a long history of dealing with the conflicts that arise at the intersection of commercial activity and environmental and social concerns. Beginning in the 1980s, environmental NGOs targeted the industry for "unsustainable" forest management practices, such as clear-cutting and illegal logging. Relations with First Nations communities were also often strained. Consumer demand for certified sustainable lumber has created significant pressure for improved environmental performance. Over the past 20 years, the Canadian forestry industry has taken steps to address these issues. Contributions to global climate change are a priority in the industry. Sustainable forestry management and eco-system-based adaptive management practices are now standard. The Forest Products Association of Canada (FPAC), for example, requires third party certification<sup>1</sup> of all of its members' operations.

### Social Issues

- Sustainable forestry management practices are being tied to social challenges, such as poverty alleviation and community capacity building.
- The recognition and respect for the rights and interests of forest-dependent people (particularly, local Aboriginal and indigenous communities) is viewed as a pre-condition for obtaining a "social licence to operate."
- Multi-stakeholder approaches, such as the Canadian Boreal Initiative and Model Forest Program, are bringing various stakeholders together to build consensus about sustainable forest management practices.
- Innovative partnerships with environmental NGOs and community groups, such as the World Wildlife Fund and Ducks Unlimited, are advancing conservation efforts.
- Reducing harm and sharing the dividends of economic activity with Aboriginal and First Nations communities is a priority. Companies are working to spread the economic benefits through hiring Aboriginal employees, using Aboriginal-owned businesses in the supply chain and procurement process, developing joint ventures, and using Aboriginal subcontractors, who possess traditional environmental knowledge.

### Environmental Issues

- Companies are being pressured by interest groups and consumers to embrace sustainable forestry management practices.
- Protected area networks and bio-diversity conservation are tied to sustainable forestry practices.
- Energy inputs and energy intensity are being managed, as forestry companies realize the impact of woodlot and harvesting operations on global climate change. Sustainable forests represent "carbon sinks" that may play a pivotal role in capturing CO<sub>2</sub> emissions.
- Toxins and chemicals involved in harvesting and processing can have a serious negative effect on the natural environment and local communities. The reduction or elimination of toxins in air or effluent emissions is a key goal of the industry.

\*Note: Includes paper and allied products, as well as wood and building products

1 In January 2002, FPAC announced that its members would be third party, independently certified, by 2006. According to the Canadian Sustainability Forestry Certification Coalition, as of December 2003, 145 million hectares of forest land across the country, representing an annual allowable cut of approximately 123 million m<sup>3</sup>, have been certified. There are four main sustainable forestry certification standards employed in Canada: 1. *Forest Stewardship Council Principles and Criteria*; 2. International Organization for Standardization (ISO) *14001 EMS Standards*; 3. *National Sustainable Forest Management Standard, Canadian Standards Association*; 4. *Sustainable Forest Initiative Standard*.

### Industry Corporations by Revenue Rank

|     |                                    |
|-----|------------------------------------|
| 47  | Domtar                             |
| 55  | Abitibi-Consolidated Inc.          |
| 72  | Cascades Inc.                      |
| 81  | Tembec Inc.                        |
| 111 | Kruger Inc.                        |
| 118 | Nexfor Inc.                        |
| 126 | Canfor Corp.                       |
| 165 | West Fraser Timber Co. Ltd.        |
| 180 | NorskSkog Canada Ltd.              |
| 217 | Weldwood of Canada Ltd.            |
| 237 | Slocan Forest Products Ltd.        |
| 276 | International Forest Products Ltd. |

## INDUSTRY PROFILE: **INFORMATION AND COMMUNICATIONS TECHNOLOGY\***

### **Corporate Social Responsibility in Canada's Information and Communications Technology Industry**

Canada's Information and Communications Technology (ICT) industry is intensely knowledge-based. Thirty-eight per cent of all industry workers have a university degree, compared to the national average of 20 per cent.<sup>1</sup> In recent years, the ability of the ICT industry to retain highly skilled workers has been strained by an economic downturn and by corporate restructuring. Outsourcing to off-shore facilities is becoming an important human resource management and corporate responsibility issue.

Canada's ICT industry has historically had a reputation as a "non-smokestack" industry.<sup>2</sup> There is increased recognition, however, that the industry's activities do have a significant environmental impact. For example, information technology (IT) equipment becomes obsolete quickly, and the ICT industry has to deal with waste and product stewardship issues. IT and telecom equipment also commonly contains toxic materials, which are hazardous, if not managed properly.<sup>3</sup> Some of Canada's largest corporations have adopted voluntary principles of environmental responsibility, such as the Communications Environmental Excellence Initiative's Environmental Charter, the Global E-Sustainability Initiative, and the Electronics Product Stewardship Canada action plan.<sup>4</sup>

### **Industry Corporations by Revenue Rank**

|     |                          |
|-----|--------------------------|
| 124 | CGI Group Inc.           |
| 170 | ATI Technologies Inc.    |
| 198 | EDS Canada Inc.          |
| 208 | Microsoft Canada Inc.    |
| 255 | Cognos Inc.              |
| 291 | Geac Computer Corp. Ltd. |
| 295 | Nexinnovations Inc.      |

### **Social Issues**

- Community involvement is a core focus of the industry. Canadian ICT corporations are forging cross-sector partnerships with charities and non-profit organizations, to help them gain access to the software, hardware, skills and expertise they need to make strategic use of information technology to achieve their charitable mandates.
- Through voluntary industry initiatives, such as the Global E-Sustainability initiative and the Information Technology Association of Canada's "Making IT Work for Volunteers," firms are engaging in bridging the "digital divide," which separates those people who have access to IT from those who do not.

### **Environmental Issues**

- Extending their sphere of influence, stakeholders are interested in how companies integrate environmental performance into procurement and supply chain management practices (particularly with respect to original equipment manufacturers).
- Product stewardship is an important issue. Environmental innovation and consideration of waste issues is compelling manufacturers to build "end-of-life" considerations into product design.
- Many ICT corporations are partnering with organizations such as reBOOT and Computers for Schools to ensure their used computer equipment is refurbished and distributed to charities, non-profit organizations, schools and low-income households.

\*Note: This includes ICT manufacturing.

1 Information Technology Association of Canada, *Sustainability and Information and Communications Technology in Canada* (Toronto: Information Technology Association of Canada, February 2003).

2 Ibid.

3 EnviroRIS, *Information Technology and Telecommunication Waste in Canada*, prepared for Environment Canada, National Office of Pollution Prevention (Ottawa: Government of Canada, 2000).

4 Sixteen of Canada's largest electronic equipment manufacturers have joined to form the Electronics Product Stewardship (Canada) program. EPS establishes a national action plan by companies to deal with consumer end-of-life products and the increasing waste stream. In 1999, it was estimated that approximately 33,972 tonnes of IT equipment waste (PCs, monitors, laptops and peripherals) was disposed of. Telecom sector waste (telephones, faxes and mobile phones) was estimated at 2,961 tonnes.

# Governance and Management Practices

The surveyed Canadian corporations have adopted policies and implementation mechanisms to drive ethical and responsible behaviour. In doing so, they demonstrate an expanded notion of enterprise risk and value creation that includes social and environmental issues, along with financial considerations.

*Good management increases a company's accountability, responsiveness and efficiency in handling all business issues, including environmental and social risks and opportunities.”<sup>1</sup>*

—The International Finance Corporation

There is, however, room for improvement. Not all corporate boards that were surveyed consider social or environmental issues, and not all have adequate reporting of information. And, although 62 per cent of corporations we surveyed issue CSR reports, the level is low among the Top 300. The risks are increasing for those Canadian corporations that do not respond to emerging pressures.

### **BUSINESS RISK: DIRECTOR AND OFFICER ACCOUNTABILITY**

Individual directors and executive officers of Canadian corporations have to monitor their own accountability.<sup>2</sup> NGOs and activists are looking at pursuing individual directors and officers for what they perceive to be complicity in human rights abuses and environmental disasters.<sup>3</sup>

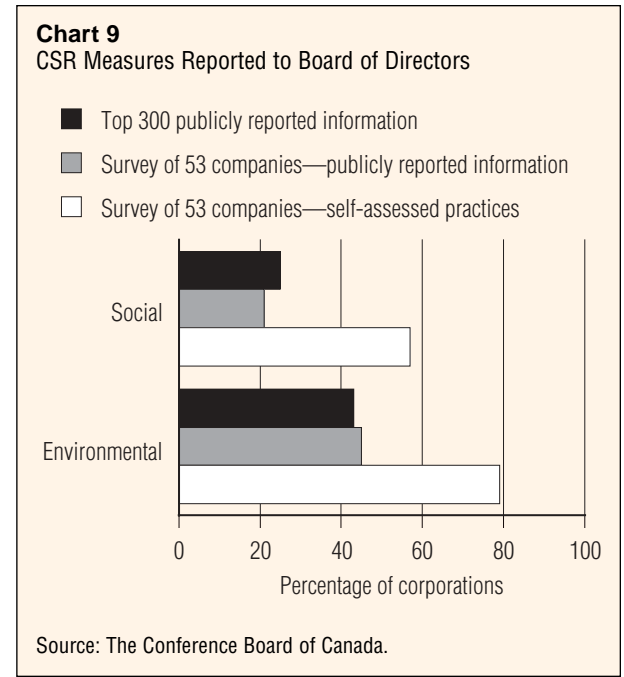
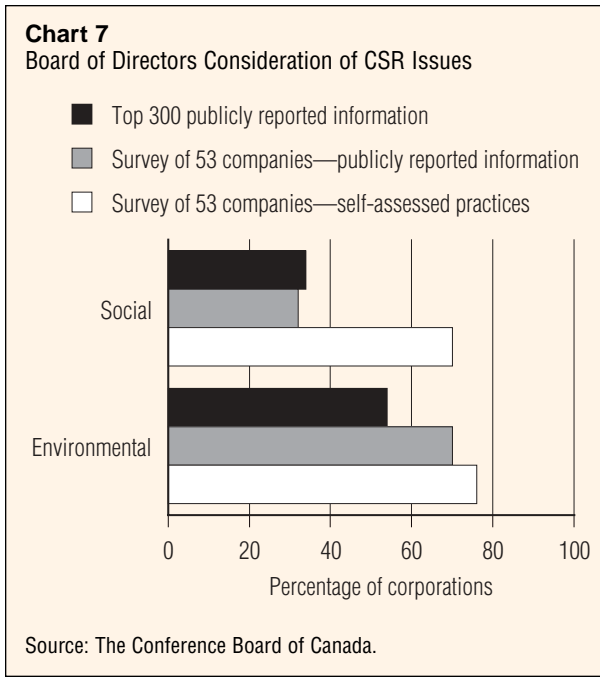
#### **Governance and Management Practices— Key Performance Indicators**

##### **N=53**

- 70% Board of Directors considers social issues on a regular basis.
- 76% Board of Directors considers environmental issues on a regular basis.
- 68% Audit committee is the most common board process for considering CSR issues.
- 79% Environmental measures reported to the Board of Directors (57 per cent report on social measures).
- 43% Management Discussion and Analysis provides information on social, economic, or environmental policies and risks.
- 94% There is a formal code of conduct or formal code/policy of ethics.
- 75% A comprehensive and systematic management system controls the environmental dimension of corporate activity (55 per cent social dimension).
- 66% Audits of corporate environmental performance are conducted (34 per cent social performance).
- 55% The company verifies results of environmental audits (30 per cent social audit).
- 43% Executive compensation is tied to environmental performance measures (18 per cent social performance measures).
- 62% The company regularly reports on CSR issues.

Bill 198 introduces a right of action in the *Ontario Securities Act* that permits investors in publicly traded corporations to sue directors and officers. The bill provides for action to be taken for damages that result from misrepresentation in secondary market continuous disclosure documents.<sup>4</sup> Corporate directors and senior executives need to ensure that appropriate management and disclosure control systems are in place. Doing so will help to ensure confidence that their representation is, indeed, accurate.

Are surveyed corporations positioned to manage this risk? According to our research, companies are taking steps to ensure that appropriate social and environmental management systems are in place. (See Chart 7.) They are also making sure that the right information is being brought forward and integrated into decision-making.



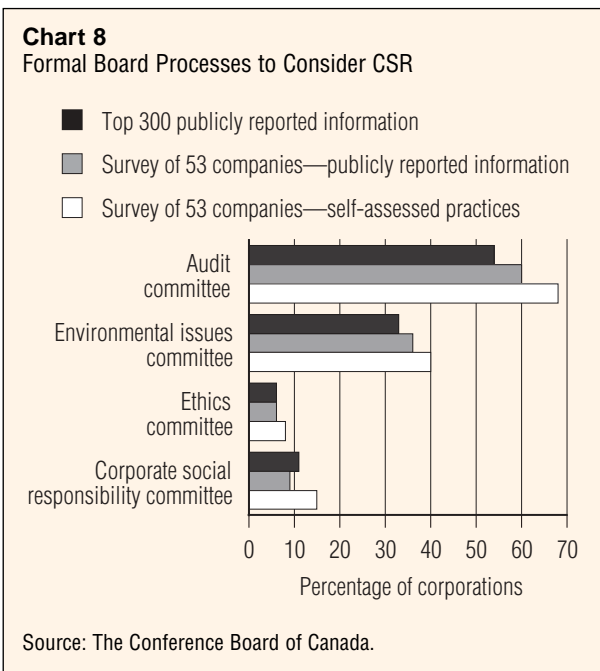
Seventy per cent of boards consider social issues, while 76 per cent consider environmental issues. Formal board-level processes ensure that CSR issues are considered. (See Chart 8.) The two most common board committees that review CSR issues are the audit (68 per cent) and environmental issues (40 per cent) committees. Reporting environmental performance measures to the board provides important insights into the commitment of senior managers, as well as the strength of internal information systems. (See Chart 9.) Fifty-seven per cent of surveyed

companies report taking social measures, while 79 per cent reports including environmental measures, right up to the board level.

Suncor Energy, for example, explicitly recognizes the strategic and operational importance of considering social and environmental issues at the highest levels and supports this consideration with formal management and information systems.

However, there is still room for improvement among the corporations surveyed, with respect to the consideration and management of social issues, risks and opportunities.

Pressures are also growing throughout the world for corporate directors to consider corporate social responsibility issues as they exercise their duties. These developments may have a spillover effect for Canadian companies. For example, in the United Kingdom, legislation requiring pension fund trustees to disclose their policies on socially responsible investing has had an effect on directors. In parallel to this legislation, an announcement by the Association of British Insurers, which represents 96 per cent of U.K. insurance companies, states that its members now require companies to disclose how social and environmental risks are being managed, thereby putting pressure on corporate directors. The ABI asks companies to disclose how boards identify and assess such risks, what their policies are for managing them, and what corporate procedures there are for verifying disclosures.<sup>5</sup>



### **CSR and Corporate Governance at Samuel Manu-Tech Inc.**

The Corporate Governance Committee has responsibility for overseeing the implementation of, and compliance with, the company's core values, the ethical and social conduct of the company worldwide, and corporate policies on the protection and enhancement of the environment, health and safety of employees, employment equity and community relations.

The committee's responsibilities also include developing and recommending, where appropriate, policies, programs and initiatives to ensure that the company carries on business in a socially responsible way that is in the best interests of its shareholders, employees, and the communities and countries in which it operates.

Source: Samuel Manu-Tech Inc.

### **CSR and Corporate Governance at Suncor Energy**

A Sustainability Steering Committee (SCC), comprising senior management from all Suncor's businesses, is responsible for the development of company-wide strategies and operational goals, and for assessing progress with sustainability issues. The SCC reports directly to the executive corporate committee. Since 2000, Suncor's CFO has held top executive responsibility for sustainability.

Source: *Suncor Energy 2003 Report on Sustainability*.

## **BUSINESS RISK: COMPULSORY REPORTING THROUGH REGULATORY INTERVENTION**

It is no longer sufficient to tell the public or stakeholders, "you can trust us, we have done a good job." Stakeholders have become more cynical, and are not very trusting. They want to see proof that corporations are measuring key areas of CSR practice and performance. In the United States, the Corporate and Auditing Accountability, Responsibility, and Transparency Act of 2002 (Sarbanes-Oxley Act)<sup>6</sup> emphasizes corporate disclosure as a way to address investor confidence in financial performance. Sarbanes-Oxley provides a foundation, upon which future certifications of disclosure controls and procedures could be based (including those that cover social and environmental issues and stakeholder relationships). Section 406 of the Act is currently limited to requiring that corporations disclose whether or not they have adopted a code of ethics for the CEO and senior financial officers to follow (and if not, why not).<sup>7</sup>

Sarbanes-Oxley has implications for Canadian companies listed on U.S. stock exchanges and subsidiary corporations. Another important area is the disclosure and certification of securities filings, as they relate to environmental liabilities. The U.S. Securities and Exchange

### **Association of British Insurers' "Disclosure Guidelines on Socially Responsible Investment"**

With regard to the board, the company should state in its annual report whether:

1. The board takes regular account of the significance of social, environmental and ethical matters.
2. The board has identified and assessed the significant risks to the company's short- and long-term value, arising from social, environmental and ethical matters, as well as the opportunities to enhance value that may arise from an appropriate response.
3. The board has received adequate information to make this assessment and that social, environmental and ethical matters are part of the training of directors.
4. The board has ensured that the company has effective systems for managing significant risks in place which, where relevant, incorporate performance management systems and appropriate remuneration incentives.

Source: Association of British Insurers.

Commission (SEC) currently requires corporations to disclose actual or contingent environmental costs, such as those relating to site clean-up or remediation and potential claims or penalties.<sup>8</sup> The Act emphasizes the certification of disclosures and imposes monetary and criminal penalties for violations of securities laws. Its passage places additional emphasis on the need for robust and credible management and disclosure control procedures.

Recent Canadian regulatory developments have also stimulated corporate interest in reporting and disclosure. Like section 406 of Sarbanes-Oxley, the Ontario Securities Commission (OSC) has issued corporate governance guidelines (Form 58-101F1 and Form 58-101F2) that require corporations listed on the Toronto Stock Exchange to adopt a code of ethics. Corporations are required to disclose whether or not they have adopted a code, and if not, for what reasons.

### **Toronto Hydro's Code of Business Conduct**

Toronto Hydro's Code of Business Conduct establishes basic principles of appropriate conduct. The Code is designed to alert employees, officers, directors, consultants, suppliers and contractors to major legal and ethical issues that frequently arise. It also establishes appropriate channels for guidance and reporting Code violations.

The Code covers issues relating to:

- Ethical decision-making;
- Commitments to society; and
- Commitments to stakeholders.

To support the Code, the Vice-President of Organizational Development and Performance acts as the company's Ethics and Compliance Officer.

Source: Toronto Hydro.

The Canadian Securities Administrators (CSA) have released continuous disclosure guidelines that, in some respects, go even further than the requirements of Sarbanes-Oxley. For example, the documents pertaining to the Annual Information Form (AIF), as well as the Management Discussion and Analysis, contain provisions relating to the disclosure of social and environmental information. The AIF guidelines encourage companies to describe their social and environmental policies and the steps they are taking to implement them.<sup>9</sup> The Management Discussion and Analysis guidelines encourage Canadian corporations to discuss material information that may not be fully reflected in financial statements. Some examples are environmental, social or cultural matters, contingent liabilities and defaults under debt, off-balance sheet financing arrangements, or other contractual obligations.<sup>10</sup> These new guidelines require additional involvement by corporate directors in information review and sign-off.

The extent to which senior management and directors have actually adopted a risk orientation, in considering social and environmental issues, is uncertain. Forty-nine per cent of publicly traded corporations surveyed issue Management Discussion and Analysis documents that discuss environmental risks, but only 26 per cent discuss social risks. (See Chart 10.) Given that the Management Discussion and Analysis represents an opportunity for investors to view the company through the “eyes of

**EnCana’s Management Discussion and Analysis of Operational, Safety and Environmental Risk**

Safety and environment risks are managed by executing policies and standards that comply with, or exceed, government regulations and industry standards. In addition, the company maintains a system that identifies, assesses and controls safety and environmental risks, and requires regular reporting to senior management and the Board of Directors.

The Corporate Responsibility, Environment, Health and Safety Committee of EnCana’s Board of Directors approves environmental policy and oversees compliance with government laws and regulations.

Programs on environmental, health and safety performance in day-to-day operations, as well as inspections and assessments, are designed to provide assurance that environmental and regulatory standards are met. Contingency plans are in place for a timely response to an environmental event and to ensure that remediation/reclamation strategies are used to restore the environment.

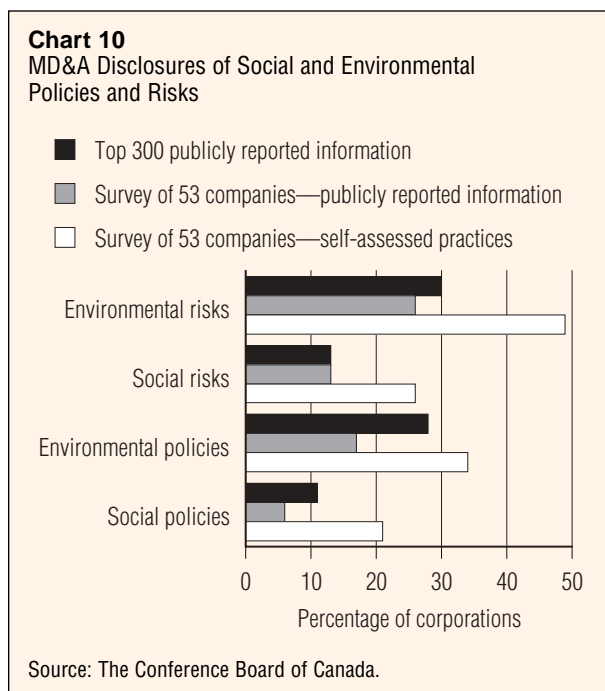
Source: EnCana Management Discussion and Analysis 2003.

management,” this level of CSR risk disclosure, relative to the proportion of directors who indicate that they consider social and environmental issues, raises questions as to the breadth and depth of the social and environmental issues that are, in fact, being considered.

An example of recent regulatory action is the passage of legislation concerning CSR reporting by Canadian financial institutions. As of 2001, under Section 459.3(1) of the Bank Act, all federally regulated financial institutions (e.g., banks, insurance companies) with capital assets in excess of \$1 billion are now required to issue an annual Public Accountability Statement (PAS). According to our review of the reporting practices of all financial institutions within the Top 300, seven out of eight now issue a PAS as their main CSR reporting mechanism. In some cases, the PAS is also issued in combination with community or social responsibility reports.

**BUSINESS RISK/OPPORTUNITY: SOCIALLY RESPONSIBLE INVESTING AND SHAREHOLDER ACTIVISM**

Retail and institutional investors are now factoring values and expectations into portfolio management. As of June 2002, there were \$51.4 billion in socially responsible investment (SRI) assets in Canada.<sup>11</sup> A range of SRI funds and indices has emerged in response to market demand, such as the Dow Jones Sustainability Index (DJSI), Ethical Funds, and the Jantzi Social Index.

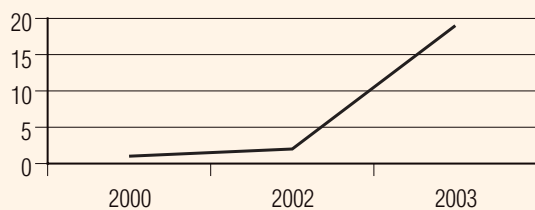


On February 6, 2001, amendments to the *Canada Business Corporations Act* removed a clause that discriminated against shareholder motions on social or environmental issues. This clause was used by corporations to justify their refusal to circulate shareholder resolutions filed “primarily for the purpose of promoting general economic, political, racial, religious, social or similar causes.”

As of November 2003, the following Top 300 Canadian corporations belonged to the Dow Jones Sustainability Index World Group: Alcan Inc., CIBC, Cognos Inc., Dofasco Inc., Domtar Inc., Nexen Inc., Royal Bank of Canada, Shell Canada Ltd., Suncor Energy Inc., TELUS Corp, Terasen Inc., TransAlta Corp. and TransCanada Corp.

The effect of this change has been significant. According to the Shareholder Association for Research and Education (SHARE), 19 resolutions on CSR-related issues had been filed with publicly traded Canadian corporations, as of November 2003, by individual and institutional investors. (See Chart 11.) Resolutions covered issues such as: greenhouse gas emissions; global labour standards; environmental reporting; social, ethical and environmental risk disclosure; and the creation of an ethics committee for boards of directors. This represents a significant increase over 2000 and 2002 resolution figures.<sup>12</sup> Paying attention (or not) to these motions is now a prime corporate concern, as credit rating agencies, such as Moody’s, now consider a company’s willingness to ignore shareholder views, including the rejection of governance proposals, as a red flag.

**Chart 11**  
CSR-type Shareholder Resolutions, Canadian Publicly Traded Corporations  
(number of CSR type resolutions)



Source: The Shareholder Association for Research and Education, 2003.

## BUSINESS RISK/OPPORTUNITY: ACCESS TO CAPITAL

The financial community has woken up to the importance of CSR as a core governance and performance issue. Investment analysts, fund managers, commercial and multilateral development banks, as well as insurance companies, are recognizing that the consideration of social and environmental issues is essential to proper and responsible financial valuation, credit risk assessment and project financing.

Prominent credit rating agencies, such as Standard and Poor’s and Moody’s—crucial arbiters of a corporation’s ability to access capital through the issuance of debt—are factoring CSR into their assessment of the quality of corporate governance and creditworthiness.

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### Major lending institutions are also factoring social and environmental risks into their assessments of credit risk.

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For example, the Standard and Poor’s Corporate Governance Analytical Framework accounts for the extent to which a corporation optimizes the divergent interests of stakeholders. A strong analytical profile consists of:

1. Compliance with laws of the jurisdictions where it operates and maintains positive relations with key non-financial stakeholders, including employees, customers, suppliers, local communities, governments and regulators; and
2. Maintenance of good public reporting on key areas of employee, community and environmental activities that address concerns of non-financial stakeholders and maintains an active policy of engagement with diverse investor and stakeholder interests.

In addition:

- Major lending institutions are also factoring social and environmental risks into their assessments of credit risk.
- As of December 2003, 19 of the largest international banks—including the Royal Bank of Canada, CIBC,

Citigroup, and HSBC—have adopted the “Equator Principles.” The principles are based on the IFC’s environmental and social screening process. Banks agree to apply the principles to all loans for projects with a capital cost of \$50 million or more. Collectively, these banks represent over 70 per cent of the worldwide project lending market.<sup>13</sup>

- The Coalition for Environmentally Responsible Economies (CERES), a coalition of investor, environmental and public interest groups, has concluded that major global corporations are discounting the financial risks associated with climate change. It has also concluded that, although greenhouse gas emissions are being discussed at the board level, few companies are reporting on the issue in securities filings and other disclosures.<sup>14</sup>

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- 1 International Financial Corporation, *Sustainability Review 2003* (Washington: IFC, 2003).
- 2 In Canada, the *Canada Business Corporations Act* and *Canada Cooperatives Act* establish the legal framework for roles and responsibilities of directors of federally incorporated corporations and non-financial co-operatives. For example, under the terms of the *CBCA*, “Every director and officer of a corporation in exercising his powers and discharging his duties shall . . . act honestly and in good faith with a view to the best interests of the corporation.” This legislation, though it does not explicitly mention non-shareholder stakeholders, offers directors latitude to consider a range of interests and issues that may impinge upon corporate success and the corporation’s best interests.
- 3 Under Ontario law, there is currently no statutory right of action that makes directors liable to investors in connection with secondary market disclosures (essentially, for continuous disclosure documents, such as the Annual Information Form and other annual and interim filings).
- 4 Rosemary Newman, personal communiqué. For further discussion of Bill 198, see H.G. Emerson, *Bill 198 and Ontario’s Securities Act: Giving Investors and the OSC Added Muscle*, Fasken Martineau, presented at the third Annual Directors’ Governance Summit, November 17–19, 2003.
- 5 [On-line] Available from, <<http://www.socialfunds.com/news/save.cgi?sfArticleId=697>>. As per the ABI Guidelines, disclosure could be addressed in the annual report, by response to the following questions: 1. Has the company made any reference to social, environmental and ethical matters? If so, does the board take these into account regularly? 2. Has the company identified and assessed significant risks and opportunities affecting its long- and short-term value, arising from its handling of SEE matters? 3. Does the company state that it has adequate information for identification and assessment? 4. Are systems in place to manage the SEE risks? 5. Are any remuneration incentives relating to the handling of SEE risks included in risk management systems? 6. Does Directors’ training include SEE matters? 7. Does the company disclose significant short- and long-term risks and opportunities arising from SEE issues? If so, how many different risks/opportunities are identified? 8. Are policies for managing risks to the company’s value described? 9. Are procedures for managing risk described? If not, are reasons for non-disclosure given? 10. Does the company report on the extent of its compliance with its policies and procedures? 11. Are verification procedures described?
- 6 SOX applies to Canadian corporations listed on cross-border stock exchanges (e.g., NASDAQ, DJSI) as well as U.S. publicly traded parent corporations of Canadian subsidiaries.
- 7 Securities and Exchange Commission, Press Release 2002-150 [on-line], [cited October 16, 2002]. Available from, <[www.sec.gov/news/press/2002-150.html](http://www.sec.gov/news/press/2002-150.html)>.
- 8 Securities and Exchange Commission, *Regulation S-K, Items 101, 103, 303* (New York: SEC, 2004).
- 9 Form 51-102F1.
- 10 Form 51-102F2.
- 11 More information on socially responsible investment can be found [on-line] at, <[www.socialinvestment.ca](http://www.socialinvestment.ca)>.
- 12 Ibid. p.16.
- 13 Available [on-line] from, <<http://www.ifc.org/equatorprinciples>>.
- 14 Investor Responsibility Research Center, *Corporate Governance and Climate Change: Making the Connection* (Boston: CERES, July 9, 2003).

# Human Resources Management

**H**igh-performing organizations recognize that employees form the basis of their success. Attracting and retaining key talent will enable an organization to achieve productivity, innovation and competitiveness objectives.

The Canadian corporations we surveyed are taking steps to ensure that, in a highly competitive job market, they are an “employer of choice.” For example, 96 per cent have a human resources policy, and 94 per cent have an employee skills development and training policy. While these indicators do not capture all of the important activities that corporations use to engage employees, they do represent a starting point for gauging approaches to responsible human resources management.

There are also areas for improvement. While 81 per cent state that they have a diversity policy, only slightly more than 50 per cent of companies surveyed have concrete programs that target youth, the disabled, women, visible minorities, or indigenous peoples. This level of activity could be higher. And, as Table 1 shows, they are, in general, not reporting publicly on what they are doing in this area. This finding extends throughout the entire Top 300.

Given the importance that many employees place on working for a socially responsible organization, non-reporting companies are missing a valuable opportunity to enhance their reputations.

Recent Conference Board research on Canadian corporations’ human resources priorities highlighted the importance of employees to corporate success. In 2003, 37 per cent of Canadian corporations surveyed reported that the strategic alignment of human resources management practices with business objectives is a current top priority—and will continue to be in the future.

Source: The Conference Board of Canada, *Compensation Planning Outlook 2004*.

| Human Resources Management Practices—<br>Key Performance Indicators |  |
|---|--|
| <b>N=53</b>   |  |
| 81%   | Have a workforce diversity policy  |
| 79%   | Have formal processes and practices to foster diversity                      |
| 96%   | Have a human resources policy (75 per cent engage employees in its updating) |
| 60%   | Have an employment programs for youth  |
| 55%   | Have an employment programs for disabled                                     |
| 62%   | Have an employment programs for women  |
| 53%   | Have an employment programs for visible minorities                           |
| 64%   | Have an employment programs for indigenous peoples                           |
| 74%   | Conduct needs assessments to determine employee benefits                     |
| 94%   | Have an employee skills development and training policy                      |
| 92%   | Have a confidential complaints process                                       |

## BUSINESS RISK/OPPORTUNITY: ATTRACTION AND RETENTION OF TALENT THAT VALUES ENGAGEMENT AND OPPORTUNITY

Employees are especially important in a global economy, where knowledge is a critical intangible asset.<sup>1</sup> They represent the human and intellectual capital<sup>2</sup> that makes it possible for organizations to create value. The contemporary employment relationship sees employees as assets—in the form of the knowledge, skills and competencies they bring to work. These qualities need to be nurtured, motivated and engaged to support the achievement of broad corporate objectives.

Employee engagement is critical for organizational success. It requires an alignment between organizational values and employee values. The stronger the alignment, the higher the level of engagement. This is why it is critical for organizations to report on their human resource policies and practices; this reporting will allow employees to assess the degree of alignment between employees’ requirements and what the organization offers. This is particularly important, given the demographic changes occurring in the workforce. It is important for organizations to respond to the needs of younger workers.

### Cognos Inc.'s People Strategy

Cognos' People Strategy emphasizes engagement, learning and opportunity. In addition to a focus on high performance, Cognos focuses on two foundational components for its strategy:

#### Talent Development

Cognos supports its high-performance expectations with a culture rich in continuous learning and development opportunities. Challenging work, stretch goals, meaningful feedback, performance coaching, training and career guidance are all key elements of its strategy and commitment to employees.

#### Partnership

Cognos focuses on building partnerships with employees that balance their needs with the needs of the organization. Meeting employee needs, with respect to their work environment (rewards, recognition, learning and career development) and meeting the organization's needs, with respect to employee performance (productivity, knowledge and leadership), are critical components of mutual success.

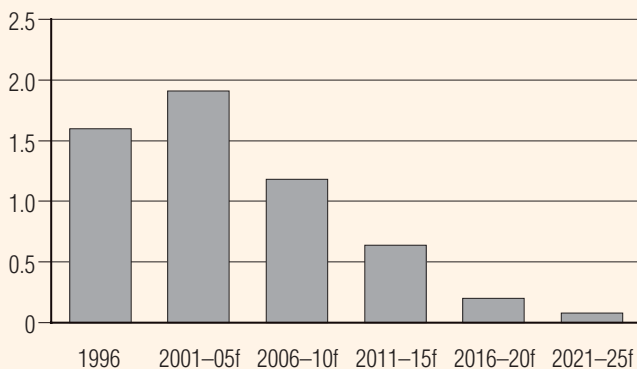
Source: Cognos Inc.

Conference Board research indicates that younger workers look for the following in organizations: reward systems based on merit versus age; diversity; engagement in decision-making; empowerment, with individual responsibility; opportunity to continuously learn and develop skills; and a balance between work and personal life.

The corporations we surveyed seem to understand the necessity for alignment. One indicator is the high level (74 per cent) of employee engagement in the development and refinement of corporate policies and benefit packages. These companies are also giving employees avenues to bring up sensitive issues through formal mechanisms, such as a complaints process (94 per cent).

**Chart 12**

Labour Force Growth  
(per cent; average annual compound growth rate)



f = forecast

Source: The Conference Board of Canada.

### BUSINESS RISK/OPPORTUNITY: DEMOGRAPHICS AND A CHANGING LABOUR MARKET

The share of the Canadian population over the age of 65 will increase from 13 per cent in 2002 to more than 20 per cent by 2025. The increase in mortality will only be partially offset by immigration, so that from 2010 to 2025, Canadian labour force growth will fall to near zero.<sup>3</sup> This may lead to labour force shortages in some sectors and regions. (See Chart 12.)

In this environment, Canadian organizations will be competing fiercely for talent. Those organizations that demonstrate commitment to people leadership will have an advantage in attracting and retaining the best.

In the future, companies will have opportunities to draw from non-traditional pools of workers. There are two major sources from which they can draw employees. First, Aboriginal people will constitute an important source of potential workers who can help Canadian corporations to address the forecast labour gaps. Between now and 2010, Canada's Aboriginal population is forecast to grow from 1.3 million to 1.6 million. Already, in industries like those in the natural resources sector, Aboriginal peoples represent a valuable source of labour. They will become an important labour pool for industries based in urban areas.

Second, demographic projections point to visible minority groups having an increasing presence and making a greater economic contribution. According to Statistics Canada, in 2001, visible minorities represented 13.4 per cent of the total Canadian population (4 million). Between 1991 and 2001, the average population growth of visible minorities was 4.7 per cent, versus 0.9 per cent for the total population. In addition, the number of visible minorities in the labour force grew from 1.3 million to 2 million between 1991 and 2001. By 2016, visible minorities could reach 3.3 million, or 18 per cent of Canada's total labour force.

## BUSINESS RISK/OPPORTUNITY: DIVERSITY

Given the increasingly heterogeneous nature of the workforce, organizations that embrace diversity policies and practices will have a considerable advantage in attracting and retaining employees from non-traditional pools. Going beyond regulatory requirements to attract youth, women, Aboriginal peoples, visible minorities and people with disabilities<sup>4</sup> can also be an opportunity for corporations to better relate to changing consumer demands, anticipate looming risks and tap into new markets.

Corporations need to do more in order to tap the talent of Aboriginals and visible minorities. So far, our survey shows that only 64 per cent of surveyed corporations have employment programs for indigenous peoples. Research has also shown that the talents of visible minorities are not being maximized by corporations. Their failure to do so poses a great risk to their competitiveness and to their success.

### Diversity at Scotiabank

Scotiabank's goal is to be an employer of choice for people from a broad range of backgrounds, including women, members of visible minorities, Aboriginal peoples and persons with disabilities.

Scotiabank has three major diversity goals:

1. To be recognized as the employer of choice—one that reflects the community and can attract and retain talent from a variety of backgrounds.
2. To confirm the bank's commitment to be a positive workplace for all employees.
3. To strengthen its relationships and brand image in diverse communities.

In 2002, Scotiabank issued its first Employment Equity Narrative Report.

Source: <[www.scotiabank.com](http://www.scotiabank.com)>.

The competitiveness, productivity and innovation capacity of Canadian corporations will be directly related to how they choose to respond to this structural change in the labour force.

1 For example, a 1999 Watson Wyatt Worldwide survey of more than 400 publicly traded companies found that those with "employee-friendly" practices had an average five-year return to shareholders of 103 per cent, nearly double that of companies without such practices.

2 Human capital is "generally understood to consist of the individual's capabilities, knowledge, skills and experience of the company's employees and managers, as they are relevant to the task at hand, as well as the capacity to add to this reservoir of knowledge, skills, and experience through individual learning." G.D. Dess and J.C. Picken, *Beyond productivity: How leading companies achieve superior performance by leveraging their human capital* (New York: American Management Association, 1999).

3 The Conference Board of Canada, *Performance and Potential 2003–04* (Ottawa: The Conference Board of Canada, 2004).

4 *The Employment Equity Act*, S.C. 1994–1995, contains provisions to protect the rights of four designated groups: women, disabled, visible minorities and Aboriginal peoples. The legislation applies to federally regulated companies and those employed by the federal government under the Federal Contractors Program.

# Community Investment and Involvement

Canadian companies have a long track record of raising funds, partnering with communities and voluntary organizations. They help to build capacity in the community, their employees volunteer, and companies and employees give to charitable causes.

However, the nature of corporate relationships with communities is changing:

- Corporations are starting to recognize the value of pro-active stakeholder engagement.
- Voluntary organizations are becoming less reliant on government funding. They are, therefore, seeking new ways of working with the private sector.

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**A systematic approach to stakeholder relations can create significant corporate benefits.**

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- The traditional arms-length approach to corporate community investment is changing. Having tightly focused, intimate partnerships with the community and voluntary groups is now the goal of most firms.
- Companies want to develop community investment programs that fit with business goals and objectives.

### **BUSINESS OPPORTUNITY: COMPETITIVE ADVANTAGE THROUGH STRONG STAKEHOLDER RELATIONS**

According to our research, a significant proportion of the corporations we surveyed are taking relationships with stakeholders seriously. Seventy-two per cent of the surveyed corporations report that their companies have a formal stakeholder management system. Having a systematic approach to stakeholder relations can create significant corporate benefits. The Canadian Institute of Chartered Accountants, York University and Simon

### **Community Investment and Involvement Management Practices—Key Performance Indicators**

**N=53**

- 87% Encourage employees to volunteer in the community
- 68% Encourage the use of local suppliers in procurement
- 43% Have a formal stakeholder relations policy
- 72% Have a formal stakeholder relations management approach
- 49% Have a formal Aboriginal relations policy

Fraser University's Centre for Innovation in Management have identified several competitive advantage benefits of strong stakeholder relationships:<sup>1</sup>

- A network of relationships provides information and resources that contribute to developing new markets and opportunities.
- Strong relations among employees and with suppliers and business partners are a prerequisite for innovation.
- Relationships are the foundation for reputation and brand value, which inevitably produce additional business benefits. Reputation is mobile. If a company has gained it with a set of stakeholders in one community, it has a head start when entering a new community. Establishing an environment of trust at the outset encourages acceptance and allows flexibility throughout a relationship.

### **BUSINESS RISK/OPPORTUNITY: SUSTAINABILITY OF BUSINESS OPERATING ENVIRONMENT**

Healthy and vibrant communities make for stable, sustainable operating environments. Community capacity-building is especially important for multinational companies with operations in poor or indigenous communities. As well, Canadian companies abroad are often expected

### **Ledcor Group—Opportunity Statement for Aboriginal Suppliers**

It is our intention to develop and nurture every possible opportunity for local and Aboriginal workers, suppliers and trade contractors. Where a choice exists between local/Aboriginal and non-local workers, suppliers and trade contractors, providing there is no compromise to costs and quality, the local/Aboriginal workers, suppliers and trade contractors will be given preferential treatment.

Source: Ledcor Group.

to contribute more than just jobs. Corporations contribute to building the capacity of local communities through, for example, employee volunteering and the use of local contractors and suppliers in procurement.

A 1996 study by The Conference Board of Canada and Imagine on employee volunteering in Canada found that employee volunteerism does the following:

- Improves relations with the surrounding community.
- Improves corporate public image.
- Helps to maintain a healthy community, which is essential to business.
- Improves employees' sense of self-worth.
- Improves employees' people skills.

Eighty-seven per cent of these surveyed Canadian corporations engage their employees in volunteerism, to help address community issues. But few (21 per cent of the Top 300) report in substantive detail on their initiatives, thereby missing a valuable opportunity to communicate the depth of their activities to stakeholders.

One of the more pressing needs for most communities is to ensure economic diversification and vitality. This need is addressed by companies through such activities as increasing local contracts for goods and services. Sixty-eight per cent of surveyed corporations indicate that they encourage the use of local suppliers in procurement. For example, Ledcor Group has a formal policy that gives preference to First Nations suppliers.

### **BUSINESS RISK/OPPORTUNITY: MAINTAINING A "SOCIAL LICENCE TO OPERATE"**

No amount of public relations can earn a company its social licence to operate. It must be earned through consistently strong stakeholder relations and

reputation-building, which, in turn, is largely based on past performance. For many Canadian corporations, particularly those operating in industries with a direct social and environmental impact, achieving a social licence to operate is crucial to doing business.

For example, with valuable commercial resources near Aboriginal lands and communities, Canadian extractive industries have taken steps to formalize their commitments to First Nations and Inuit peoples. Forty-nine per cent of surveyed corporations in this sector have a formal Aboriginal relations policy. For example, TransAlta has a formal policy governing its relations with Aboriginal and indigenous peoples: "We are committed to building and maintaining open and positive long-term, mutually beneficial and sustainable relationships with Aboriginal and Indigenous communities wherever we conduct operations and will, in a practical way, develop strategies that work together for our mutual benefit."

Canadian corporations are also building relationships and strengthening the capacity of Aboriginal peoples through such avenues as impact and benefit agreements, and industry relations corporations. In new diamond developments in the Northwest Territories, local Aboriginal businesses are realizing the benefits of nurturing and developing an entrepreneurial spirit through specific "impact benefit agreements." The agreements also make commitments to long-term education for younger people. Aboriginal and other community stakeholders are being engaged by corporations to conduct environmental monitoring. They are being offered equity stakes in related operations and are jointly establishing community advisory councils to address social issues, apart from those associated with a particular company.

### **Industry Relations Corporations in Northeastern Alberta**

Working with oil and gas companies operating in the area, several First Nations in northeastern Alberta have established Industry Relations Corporations (IRCs). Each IRC is community-owned and provides a connection among the developers, governments and other stakeholders who need to consult with the community. They work together to develop programs and move outstanding resource development issues to resolution. The IRCs are building the capacity to evaluate and address resource development implications for the environmental, traditional and social fabric of northern communities.

<sup>1</sup> Canadian Institute of Chartered Accountants. *Stakeholder Relationships, Social Capital and Business Value Creation*. (Toronto: CICA, October 2003.)

# Environment, Health and Safety

Among surveyed corporations, there is a high level of formal Environment, Health and Safety management practice. This area is a concern for all the Canadian corporations we surveyed. Environmental management is commonly linked to the occupational health and safety of employees. While federal and provincial environmental and occupational health and safety legislative frameworks establish statutory requirements, these corporations are going beyond regulation to voluntarily manage their environmental footprints.

## BUSINESS RISK: CRIMINAL LIABILITY FOR WORKPLACE ACCIDENTS

As of March 31, 2004, Canadian corporations face criminal liability for workplace accidents. Bill C-45 (commonly referred to as the “Corporate Accountability” or “Westray” bill), amended the Criminal Code to establish liability for employers and individuals, when they fail to take reasonable steps to prevent workplace accidents that involve workers or the general public. Canadian corporations need to demonstrate that they have taken appropriate steps to ensure safety. The legislation extends the liability beyond directors and officers to employees who have the authority to direct work in the workplace. Casting a wider net in other ways, it extends

### Unilever’s Environmental Management System

Unilever’s *Environmental Care Framework Standards* require all Unilever operations to establish an environmental management system. The framework is based on the ISO 14001 management systems standard and is, ultimately, applicable to all parts of the business.

The Framework Standards (which also cover occupational health and safety and consumer safety) are supported by specific standards and guidance documents. For example, Unilever has recently developed specific standards covering third party manufacturing; Environmental, Health and Safety management systems auditing/positive assurance; environmental performance reporting; and notification and investigation of Environmental, Health and Safety incidents.

Source: Unilever, Inc.

### Environment, Health and Safety— Key Performance Indicators

- 100% Provide workforce safety education and training
- 70% Have an environmental management system (EMS)
- 24% Are ISO 14001 certified EMS
- 41% Have an industry-standard aligned EMS
- 49% Actively manage their greenhouse gas emissions
- 89% Have eco-efficiency practices
- 68% Have environmental technologies
- 79% Consider environmental impacts in investment and procurement

liability to accidents incurred by the general public, and not just workers. The legislation also increases maximum fines from the current \$25,000 to \$100,000. Indictable offenses have no maximum fine.

These measures make the protection of the workplace and public safety paramount. All surveyed corporations have taken steps to comply with this worker safety legislation. They are ensuring that employees have the knowledge to protect themselves.

Steps are also being taken to manage environmental incidents. Seventy per cent have an environmental management system. However, given the criminal nature of this liability, corporate directors and senior officers who work for corporations without a formal environmental, health and safety management system should consider its value as a protective measure against prosecution.

## BUSINESS RISK: CARBON RISK

With Canada’s ratification<sup>1</sup> of the Kyoto Protocol in December 2002, greenhouse gas emissions<sup>2</sup> became a major environmental issue for Canadian corporations, particularly those in energy-intensive industries.<sup>3</sup> The global nature of this problem, as well as the vocal concerns of active stakeholders, have prompted Canadian companies to manage the greenhouse gas emissions

resulting from their production processes. Forty-nine per cent of corporations surveyed indicate that they actively manage their greenhouse gas emissions. All the companies in the survey belonging to utilities, manufacturing, mining and chemicals, are committed to reducing their emissions. However, companies in other sectors are not as engaged.

Global investors are particularly concerned about the business risk posed by greenhouse gas emissions, and are taking steps to ensure they have the right information to make better investment decisions. In November 2003, a group of 87 investors from Europe and North America, who manage more than \$9 trillion in assets, launched the Carbon Disclosure Project.<sup>4</sup> The project aims to raise awareness of climate change issues within companies, and to provide information for investors. Shareholder activists in Canada have pressed Canadian publicly traded corporations for better disclosure of climate change risks and environmental liabilities. The reason is that greenhouse gas emissions trading<sup>5</sup> (where rights to emit greenhouse gases are bought and sold) is becoming an important mechanism for carbon dioxide management.

In 2003, the International Emissions Trading Association's Canadian Working Group on the Carbon Market<sup>6</sup> agreed to a set of principles for a greenhouse gas emission market in Canada. The 12 Principles for the Canadian Carbon Market include: sustainability, innovation, the role of price signals, international consistency, certainty and transparency.<sup>7</sup> A domestic emissions trading system would provide industry with flexible options for meeting targets in an economical manner.

The low level of public reporting on greenhouse gas management practices among the Top 300 (20 per cent) suggests that there is room for improvement. Further, a review of the Government of Canada's Voluntary Challenge Registry indicates that 57 of the Top 300 corporations, or 20 per cent, have registered action plans to voluntarily manage their greenhouse gas practices. While exposure to carbon risk is primarily the domain of large emitters, most industries have a carbon footprint. For example, in the retail industry, the Hudson's Bay Company views management of its energy and emissions performance as a cost reduction activity and part of its social responsibility. It has filed a Voluntary Challenge report, and is an active participant in the federal government's Energy Innovators Initiative.<sup>8</sup>

#### **Husky Injection Moulding Systems— Environmental Management Benefits**

Environmental Health and Safety management is integral to Husky's continued business success. In 1998, the positive business impact of its approach was evident: a \$4.2 million CAN investment in Environment Health and Safety programs resulted in estimated savings of \$9 million CAN.

These savings were derived from: resource conservation through recycling and energy efficiency activities; comprehensive Environmental Health and Safety and wellness programs, resulting in fewer injuries (0.77 per 200,000 hours worked); maximum rebates on Workplace Safety and Insurance Board (WSIB) premiums; and low absenteeism (2.25 days per employee per year).

Source: Husky Injection Moulding Systems.

#### **BUSINESS RISK: DISCLOSURE OF ENVIRONMENTAL LIABILITIES**

In their financial statements, companies account for the liabilities associated with contaminated sites. In the United States, the Sarbanes-Oxley Act has increased the push for transparency and disclosure of "material" environmental liabilities. Although the Securities and Exchange Commission (SEC) has had disclosure requirements for environmental matters since 1982, the new U.S. legislation has effectively elevated regulator and stakeholder expectations about the level of environmental performance information a company should make available.

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#### **In the United States, the Sarbanes-Oxley Act has increased the push for transparency and disclosure of "material" environmental liabilities.**

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Under Sarbanes-Oxley, senior executives of publicly traded New York Stock Exchange and NASDAQ companies are required to assure the legitimacy of their performance reports (by signing off on them). This means that there is significant potential for this requirement to affect the reporting practices of Canadian companies listed on these exchanges. The net effect of the Sarbanes-Oxley legislation may be increased expectations on the part of Canadian stakeholders and investors, regarding the boundaries of "material" environmental information and performance disclosure by all Canadian companies.

As Table 1 suggests, the moderate level of environmental policy and risk analysis currently taking place within surveyed corporations' Management Discussion and Analysis filings (as well as among the Top 300 corporations) means Canadian corporations have room to gain additional benefits. More and better disclosure of material environmental risks and liabilities would communicate to stakeholders that companies are serious about managing these issues.

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**Disclosure of environmental risks and liabilities tells stakeholders that companies are serious about these issues.**

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### **BUSINESS OPPORTUNITY: COST SAVINGS AND INNOVATION**

Eighty-nine per cent of surveyed corporations use eco-efficiency practices. Eco-efficiency is defined by the World Business Council on Sustainable Development as “the delivery of competitively priced goods and services that satisfy human needs and bring quality of life, while progressively reducing ecological impacts and resource intensity throughout the life cycle, to a level at least in line with the Earth’s estimated carrying capacity.” Eco-efficiency can be viewed as a means to go beyond compliance, where environment is usually viewed as a cost centre, and to link environmental management to bottom-line (and top-line) business benefits. This

#### **NorskeCanada Statement of Principles for Fibre Sourcing**

NorskeCanada upholds the principles of sustainable forest management and expects all of its fibre suppliers to conform to practices that meet this standard. While the company is a major purchaser of fibre, it does not harvest forests on either public or private land, and therefore, takes an objective view about forest management practices, standards and certification. In addition, NorskeCanada expects its major fibre suppliers to pursue forest management certification under programs that are credible in the international marketplace.

Source: NorskeCanada.

enables a company to go beyond simple cost avoidance to realize cost savings and revenue generation, when environmental management is integrated properly into a company’s business strategy.<sup>9</sup>

Sixty-eight per cent of surveyed corporations also indicate that they use environmental technologies. These technologies are used to drive corporate innovation and to prevent or curb pollution. This includes technologies to conserve energy, reduce atmospheric pollutants, reduce liquid and solid wastes, and reduce material use.

### **BUSINESS RISK/OPPORTUNITY: CONSUMER EXPECTATIONS OF PRODUCT STEWARDSHIP AND ENVIRONMENTAL RESPONSIBILITY IN THE VALUE CHAIN**

Stakeholders are looking at the social and environmental performance of all parties in a product’s chain of custody (e.g., environmental responsibility during extraction, production, sale and marketing). In some industries, such as mining and forestry, consumer demands and certification schemes (such sustainable forest management standards) for responsible resources management (e.g., conflict diamonds, sustainable forest management) are driving corporations to extend environmental considerations to suppliers, business partners and distributors. Canadian corporations have responded. Seventy-nine per cent of surveyed corporations indicate that environmental performance is considered in project investment.

#### **The World Business Council for Sustainable Development’s Seven Elements of Eco-Efficiency:**

- Reduce material intensity.
- Reduce energy intensity.
- Reduce dispersion of toxic substances.
- Enhance recyclability of materials.
- Maximize the sustained use of renewable resources.
- Extend the durability of products.
- Increase the service intensity of goods and services.

Source: World Business Council for Sustainable Development.

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- 1 In 2003, the federal government gave more definition to Canada's commitment to reducing greenhouse gases and started to implement the Climate Change Plan for Canada, which was released in November 2002. The federal government allocated \$2 billion to climate change projects in budget year 2003, and made investments throughout the economy to reduce greenhouse gas emissions, including energy efficiency programs and alternative fuel sources, such as ethanol and hydrogen.
  - 2 Carbon dioxide (CO<sub>2</sub>), methane and nitrous oxide are the greenhouse gases (GHG) considered to be the primary cause of predicted increases in global planetary temperatures, or global warming. GHG emissions are tied closely to changes in industrial energy use. They are a result of both the type and amount of energy used to produce goods and services. Electricity generated from non-fossil fuel sources, such as hydro-electric and solar, has a very low emission intensity (emissions per unit of electricity supplied). Fossil fuels, such as coal and natural gas, tend to have a higher emission intensity. Over the past 15 years, there has been a shift by many sectors away from energy sources such as petroleum and coal, to natural gas and electricity.
  - 3 Ratification of the Kyoto Protocol commits Canada to reducing GHG emissions to 6 per cent below 1990 levels over the period 2008 to 2012, should the Protocol come into force.
  - 4 More information on the Carbon Disclosure Project can be found [on-line] at, <[www.cdproject.net](http://www.cdproject.net)>.
  - 5 According to the World Bank Group, the volume of GHG trading worldwide more than doubled in 2003, over 2002 amounts. In 2003, the International Accounting Standards Board released Interpretation D1. The Interpretation recommends the accounting that should be adopted by participants in a "cap and trade" scheme, and how such intangible assets as allowances should be reflected in financial statements.
  - 6 The Working Group comprised corporate membership from energy utilities and producers, and large emitters in the metals and cement industries, financial and legal firms, and NGOs.
  - 7 More information on "The 12 Principles for the Canadian Carbon Market" is available [on-line] from, <[www.co2e.com/News/story.asp?StoryID=1324](http://www.co2e.com/News/story.asp?StoryID=1324)>.
  - 8 More information is available [on-line] from, <<http://www.oee.nrcan.gc.ca>>.
  - 9 Five Winds International, *The Role of Eco-Efficiency: Global Challenges and Opportunities in the 21st Century*. Prepared for the Eco-Efficiency Working Group Sustainability Project Policy Research Initiative (Ottawa) in 2000.

# Human Rights

According to the 2003 Global Stakeholder Report,<sup>1</sup> the area of performance that most corporate stakeholders are interested in is human rights. Human rights issues have received the most attention in extractive industries, such as mining and oil and gas, and those industries that have supply chains or distribution networks reaching into developing countries. Human rights issues, however, are not limited to these industries. Two of the most pressing questions facing all Canadian corporations, regardless of sector, relate to:

1. The boundaries of their responsibility to ensure that fundamental human rights are upheld; and
2. The degree of transparency that they adopt regarding human rights practices and performance.

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## Corporations have an integral role to play in upholding basic human rights.

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Over half of surveyed corporations are going further than complying with Canadian legislation, and are actively managing the human rights dimension of their performance. While 72 per cent state that they have formalized their commitment to respecting and upholding human rights, only 51 per cent have a system in place to manage human rights issues. Non-discrimination policies are in place, likely due to the presence of legislation governing this issue. Relatively few report publicly on the commitments they have made, or the practices that are in place.

Given the importance stakeholders place on how corporations manage the human rights dimension of their activity, the level of attention paid by some of Canada’s largest corporations to this area of performance raises important questions about their exposure to human rights risk.

The United Nations recognizes that every individual and organ of society has a part to play in protecting and promoting human rights. The primary responsibility for upholding basic human rights is fundamentally one of

### Human Rights—Key Performance Indicators

|     |  |
|-----|--|
| 38% | Have a publicly stated commitment to internationally proclaimed human rights |
| 26% | Publicly support the Universal Declaration of Human Rights                   |
| 72% | Have a human rights policy   |
| 58% | Consider human rights impacts in investment and procurement                  |
| 92% | Have a non-discrimination policy   |
| 36% | Have a freedom of association policy   |
| 51% | Have a system to manage the human rights dimensions of corporate activity    |

government, but corporations have an integral role to play. Employee-related human rights issues have long been managed as part of human resources, health and safety, collective bargaining and non-discrimination practices. According to the International Labour Organization, all companies have a responsibility to respect the human rights of their employees. Fundamental labour rights entrenched in ILO Conventions include: freedom from discrimination; equal opportunity; freedom of association and collective bargaining; avoidance of child and forced labour; wages that meet basic needs; and fair and safe working conditions.

When operating in Canada, corporations have a legal obligation to operate within the framework of rights elaborated by the *Canadian Human Rights Act* and the *Charter of Rights and Freedoms*. The *North American Agreement on Labour Cooperation* (a side accord to NAFTA) also includes labour principles.<sup>2</sup>

### BUSINESS RISK: INCREASED STAKEHOLDER EXPECTATIONS OF CORPORATE HUMAN RIGHTS PERFORMANCE

Beyond domestic legislation, there is a body of international laws and norms which establish universal human rights. New human rights codes, guidelines, certification schemes and related instruments are also being introduced and they are shaping expectations about corporate human rights performance. Some stakeholder groups have concerns about the ability of Canadian

### **Talisman Energy, Inc.—Human Rights Commitment**

“Talisman supports the principles of, and will promote respect for, the Universal Declaration of Human Rights and we will lead by example, demonstrating values of tolerance and respect.

We promote adherence to human rights principles in our areas of operation and will not be complicit in human rights abuses. We will advance best practices with host governments, partners and third parties consistent with our Security Policy, which has been revised in the spirit of the Voluntary Principles on Security and Human Rights.”

Source: Talisman Energy, Inc. 2003 Corporate Responsibility Report.

corporations to voluntarily conduct business in ways that promote and protect human rights, as part of their overseas operations. Many Canadian companies source their supplies from other countries or have facilities in countries with less stringent labour laws than those in Canada. The scope of business involvement in human rights is also evolving to encompass new issues, such as the protection of the rights of indigenous peoples and support (voluntarily, or inadvertently) of corrupt host governments.

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### **Some companies have developed their own voluntary sourcing guidelines and codes of conduct.**

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As our research shows, a small number of Canadian companies are publicly affirming their commitment to these international human rights standards, such as the Universal Declaration of Human Rights and its six core instruments,<sup>3</sup> International Labour Organization (ILO) conventions and the ILO’s Declaration on Fundamental Principles and Rights at Work,<sup>4</sup> as a benchmark for their own workplace human rights practices.

The rationale for the level of public commitment is unclear,<sup>5</sup> particularly given the importance that stakeholders attach to managing human rights issues in the workplace.

### **BUSINESS RISK: NGO ACTIVISM**

In recent years, human rights, particularly labour rights and working conditions, have become a locus of discussion related to the responsibilities of corporations. Throughout the global value chain (e.g., from production

through to marketing and retail), NGOs, faith-based groups and activists have targeted companies. This results from allegations that include forced labour, physical abuse of employees and ignoring basic safety precautions.

One example of such action is the campaign initiated by the Ethical Trading Action Group<sup>6</sup> related to supply-chain labour practices of the Canadian apparel and textile industries. In 2002, the group requested that the federal government amend the Textile Labeling Act to require apparel and textile companies to disclose where (i.e., in which factory) their garments are manufactured. If implemented, the proponents claimed, factory disclosure regulations would make it much easier to determine if clothes were made in “sweatshops,” or under decent working conditions.<sup>7</sup>

Fifty-eight per cent of surveyed corporations indicate that they consider the human rights impact in the sourcing and procurement process. In some cases, companies have formalized this consideration in the form of their own voluntary sourcing guidelines and codes of conduct. For example, the Hudson’s Bay Company has adopted a “Code of Vendor Conduct.” In addition, the Retail Council of Canada (RCC) responded with the creation of an advisory council (Canadian Retailers Advancing Responsible Trade), as well as the development of

### **Hudson’s Bay Code of Vendor Conduct**

Hudson’s Bay Company ensures that all factories producing private brand merchandise for its stores are independently certified as compliant.

By the end of 2002, Hudson’s Bay Company’s insistence that all product sources meet the code motivated 85 per cent of the vendor factories inspected to upgrade their social and operational standards. The Code covers the following areas:

- No forced labour
- No child labour
- No harassment or abuse
- Freedom of association and collective bargaining
- Dispute resolution
- No discrimination
- Health and safety
- Wages and benefits
- Hours of work/overtime
- Environmental requirements

Source: Hudson’s Bay Company.

Responsible Trading Guidelines<sup>8</sup> that address human rights issues. In addition, in late 2002, the International Association of Department Stores passed a Declaration of Common Principles. In the declaration, it states that members are “convinced that retailers can be a dominant force for improving working conditions in the countries from which they source.” It also states that, “We bear responsibility for the preservation and promotion of social justice and the protection of fundamental human and labour rights.”

### **BUSINESS RISK: REGULATORY INTERVENTION**

In 2003, Amnesty International Canada called upon the government of Canada to recognize the ineffectiveness of voluntary regulation, and to develop a regulatory regime requiring Canadian companies operating abroad to meet standards of human rights performance.

As the recent discussions concerning the UN Norms on the Responsibilities of Transnational Corporations and other Business Enterprises with Regard to Human Rights illustrates, there is increased traction in some spheres for the adoption of binding international standards governing corporate human rights performance.

The document, which has no legal standing, calls on global companies to report on implementation of these international laws and standards, and to incorporate them into agreements with contractors, subcontractors, suppliers, licensees and distributors. It also endorses transparent and independent monitoring and verification that incorporates input from stakeholders. The body, which drafted and adopted the UN Norms, is the Sub-Commission on the Promotion and Protection of Human Rights, a body of experts which is only able to pass non-binding resolutions.

### **BUSINESS RISK: HUMAN RIGHTS IMPACTS OF JOB MIGRATION**

The trend towards offshore outsourcing of jobs is becoming increasingly common, as Canadian-based corporations in the technology and textile/clothing industries seek cost savings and productivity enhancements. Viewed through the lens of social responsibility, this trend has implications for global sourcing practices and supply chain relationships. The challenge for Canadian corporations with offshore supply chain relationships will be to understand the evolving scope of their responsibility. For example, do they have a responsibility to help mitigate the economic impact and social dislocations that result from the migration of these jobs?

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#### **The commitment by developed countries to liberalize imports is expected to have a major social impact in developing countries.**

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In the textile and clothing industry, World Trade Organization agreements will see the phasing out of Multi-Fibre Arrangement quotas,<sup>9</sup> under the more recent Agreement on Textiles and Clothing, by 2005. Trade liberalization will have a major social impact in numerous developing countries. For instance, experts anticipate that much more textile and clothing production will go to China and India. This creates two major concerns. First, major social dislocation will occur in poorer countries, like Bangladesh. Second, China does not recognize freedom of association as a basic human right, and has little control over hours of work.

While the benefits of foreign direct investment are apparent to both host country and investing corporations, viewed from the corporate social responsibility perspective, this trend raises implications which responsible Canadian corporations should be aware of.

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- 1 Fishburn Hedges and ECC Kohtes Klewes GmbH, Global Stakeholder Report 2003 "Shared Values?" London: Fishburn Hedges, 2003). The report is the first global survey of readers of CSR reports. Nearly 1,700 respondents participated in the survey. A detailed profile of respondents is available [on-line] at, <[http://www.asria.org/ref/library/csrreports/lib/031209\\_ECC-FH\\_stakeholder\\_report.pdf](http://www.asria.org/ref/library/csrreports/lib/031209_ECC-FH_stakeholder_report.pdf)>.
  - 2 Since 1994, 23 complaints have been filed under the NAALC. Issues include; favoritism toward employer-controlled unions; firings for workers' organizing efforts; denial of collective bargaining rights; forced pregnancy testing; mistreatment of migrant workers; and life-threatening health and safety conditions.
  - 3 Canada has ratified the Universal Declaration of Human Rights and all six associated human rights instruments: International Covenant on Civil and Political Rights, 1976; International Covenant on Economic, Social and Cultural Rights, 1976; International Convention on the Rights of the Child, 1991; International Convention Against Torture, 1987; International Convention on the Elimination of Racial Discrimination, 1970; International Convention for the Elimination of Discrimination Against Women, 1981.
  - 4 More information on the ILO Conventions and Declaration is available [on-line] from, <[www.ilo.org](http://www.ilo.org)>. The eight ILO Conventions that have been identified as being fundamental to the rights of human beings at work are: Freedom of Association and Protection of the Right to Organize, 1948, No.87; Right to Organize and Collective Bargaining Convention, 1949, No.98; Forced Labour Convention, 1930, No.29; Abolition of Forced Labour Convention, 1957, No. 105; Discrimination (Employment and Occupation) Convention, 1958, No.111; Equal Remuneration Convention, 1951, No.100; Minimum Age Convention, 1973, No.138; Worst Forms of Child Labour Convention, 1999, No.182.
  - 5 Possible reasons include concerns about legal liability resulting from public commitment to international human rights standards, or lack of corporate understanding of the importance that human rights performance has on a firm's reputation.
  - 6 ETAG comprises the Maquila Solidarity Network, Kairos, Canadian Auto Workers Union, Canadian Union of Public Employees, Canadian Labour Congress and Oxfam, among others.
  - 7 However, analysis by The Conference Board, as well as by the Public Policy Forum, raised questions about the effectiveness of this approach to improving labour standards.
  - 8 Responsible Trading Guidelines cover the following human rights issues: forced labour; child labour; harassment or abuse; discrimination; freedom of association; laws and workplace regulations; hours of work; health and safety; wages and benefits.
  - 9 In the past 30 years, there has been widespread international protectionism against textile and clothing imports. The Multi-Fibre Arrangement of 1974 exempted the textiles and clothing trade from certain GATT regulations, allowing industrial countries to place bilateral quotas on imports of textiles and clothing. The quotas essentially apportion market access among developing countries.

# Future Directions in Corporate Social Responsibility

**T**he boundaries of corporate social responsibility continue to evolve. What are the emerging issues, pressures and trends that Canadian corporations should be taking into account?

The Conference Board interviewed 24 key stakeholders to get their insights into current and future issues driving corporate social responsibility. (See Appendix A for the list of stakeholder organizations.) The content of this chapter reflects the top 9 trends in CSR identified by these stakeholders and the Conference Board. Many of the points relate specifically to the domestic operating context of Canadian corporations, while other points reflect a global perspective.

### 1. CONTINUING DEBATE OVER REGULATING CORPORATE ACCOUNTABILITY

Holding corporations to account for the social and environmental impact of their behaviour will continue to generate debate, both globally and in Canada. Challenging questions about the scope and depth of corporate responsibility arise as part of this debate. For example:

- Should Canadian corporations be held to account for the social and environmental impacts of their activities? If so, what are the dimensions of such accountability?
- Should corporate social responsibility include direct, as well as indirect, contributions to issues, such as human rights abuses, corruption and environmental degradation?
- Is legal compliance with minimal regulations sufficient in countries where governments are administratively weak? Or, should companies do the same thing in developing countries as they do in Canada?

- Against what standard of behaviour should corporations be assessed? What should be the form and substance of such accountability?

These questions will help to frame the debate about establishing mandatory frameworks for corporate accountability. Not only is it likely that this debate will continue in future, some stakeholders feel that it will intensify, as Canadian corporations continue to promote the innovation and flexibility merits of values-based, voluntary approaches. Amnesty Canada's recent intervention in support of mandatory federal legislation governing corporate accountability for human rights is one recent example of stakeholder concern that voluntary corporate social responsibility initiatives are insufficient.

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**Canadian corporations will become more sophisticated, when determining with whom they should engage in civil society.**

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Calls continue to be made by Canadian-based civil society organizations, such as Democracy Watch and FOCAL, to entrench human/labour rights and environmental safeguards in the Free-Trade Agreement of the Americas (FTAA). Canada currently includes negotiations of parallel labour and environment co-operation agreements in the context of its bilateral free trade negotiations. The pressure to do so will likely become more intense, particularly in the area of human/labour rights and environmental responsibility. Various civil society groups will push agendas that call for governments to enshrine corporate accountability mechanisms in domestic and international law, and to include civil society in international trade discussions.

## 2. CITIZEN PARTICIPATION AND STAKEHOLDER ENGAGEMENT

Research by the Centre for Ethical Orientation<sup>1</sup> indicates that Canadians want to be more involved in policy, strategy and decision-making. Various stakeholders are urging that their interests be taken into account in decision-making. There is a demand for more meaningful engagement. This will give rise to a need for new or better participation mechanisms.

Effective stakeholder engagement will be driven by two additional challenges:

- Defining the boundaries of legitimacy; and
- Developing mechanisms to support legitimate interests in consultative environments.

Canadian corporations will become more sophisticated, when determining with whom they should engage in civil society. They will also explore innovative opportunities with other actors, such as government, to support the independent participation of these groups.

## 3. GREATER PRESSURE AND SCRUTINY ABOUT CORPORATE CANADA'S PERFORMANCE IN SOCIETY

Scrutiny of the social and environmental impact of Canadian corporations will only increase. The recommendations of the World Summit on Sustainable Development, as well as the Millennium Development Goals, expressly call upon civil society, governments and the private sector to collaboratively address issues of common concern, both at home and overseas. The scope of corporate social responsibility will likely expand to encompass issues such as poverty alleviation, closing the merging equity gap, human security and sustainable economies.

The focus will be on how appropriate corporate approaches and strategies are. It will also be on the social or environmental dividends that flow from corporate areas of engagement.

## 4. CORPORATIONS: POSITIONING AS COMMUNITY LEADERS WHILE LOOKING FOR A SOCIAL RETURN ON INVESTMENT

Partnerships with community organizations and corporate philanthropic activities will become more and more focused. They will be tightly aligned with broad corporate objectives. Single or thematic partnerships will be pursued. Contribution practices will be streamlined and made more efficient. Corporate core competencies will be directed toward effecting qualitative change and having an impact.

## 5. TOWARD NEW INTERNATIONAL STANDARDS AND ACCOUNTABILITY FRAMEWORKS

The rapid emergence of international codes, guidelines, principle statements and standards raises concerns—for corporations and stakeholders alike. Corporations are increasingly challenged to align themselves with frameworks that are tailored to reflect their business. These frameworks also need to be credible and persuasive with stakeholders. The interaction between a corporation's capacity to find such a framework and the emergence of broadly based, globally applicable standards will likely become the staging ground for future debate.

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### **New forms of accountability frameworks are emerging.**

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Many stakeholders are suspicious of industry-driven voluntary initiatives. They are demanding that firms work within broad and credible, multilateral frameworks, based on universal values such as those affirmed in the ILO Core Labour Conventions and the UN Declaration of Human Rights. In the future, we will see a renewed emphasis on promoting existing multilateral conventions, such as the OECD Guidelines for Multinational Enterprises, or multi-stakeholder-led accountability frameworks, such as the AA1000, as credible instruments for promoting and ensuring corporate accountability. Alternatively, it might also lead to the emergence of new forms of accountability framework, such as the Extractive Industries Review, or the Kimberley Process (conflict diamond certification scheme).

## 6. BUILDING CONFIDENCE: TRANSPARENCY AND CORPORATE SOCIAL RESPONSIBILITY REPORTING

A clear consensus has emerged out of the recent corruption scandals: it is important to have transparent and accountable governance practices. Stakeholders are calling for companies to report on and measure their performance. Regulators are starting to ask for more transparency in corporate management policies and greater accounting of environmental risks and liabilities. And, as this report's research shows, these considerations are driving some of Canada's largest corporations to disclose information about their social and environmental behaviour and performance.

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**While the pressure for transparency will increase, questions about the quality, form and substance of corporate reporting also need to be addressed.**

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There will be a continued need to prove that corporations are accountable to their owners, as well as to other stakeholders. Corporate efforts in non-financial areas of performance will be subject to greater scrutiny and critical analysis. Increasingly, stakeholders will call upon corporations to disclose what their corporate governance and management practices are, as they relate to their interests. While pressures for transparency will increase, a range of concerns and questions about the quality, form and substance of such corporate efforts will also need to be addressed:

- What are the real needs of public reporting?
- Is there value for cost in CSR reporting?
- What are the real indicators of a company acting responsibly and appropriately against its CSR principles?
- What are the boundaries of a company's CSR efforts?

Assurance and verification will continue to be important to stakeholders, as part of a corporation's efforts to enhance its credibility. Innovative models of assurance may include the use of stakeholder council testimonials.

## 7. INCREASED INTEREST BY THE FINANCIAL COMMUNITY IN CORPORATE SOCIAL RESPONSIBILITY

Socially responsible investors and researchers will continue to work on defining the link between corporate social responsibility and financial performance. This will compel financial analysts to start to look at corporate social responsibility as part of normal financial analysis. Social and environmental performance will need to become integrated into mainstream financial analysis.

Canadian publicly traded corporations that choose to integrate stakeholder considerations into planning and operations will need to communicate and position their CSR performance for competitive advantage.

Institutional investors, such as teachers' and health workers' pension funds, will become important catalysts for corporate change. The move by the Ontario Municipal Employees Retirement System Pension Plan to apply social and environmental criteria to its share votes will likely have a major impact on Canadian publicly traded corporations. If this practice spreads, the investment community will likely become much more aggressive and demand that companies meet accepted standards of social responsibility. Over time, this will create more pressure on publicly listed companies.

The U.S. Securities and Exchange Commission's move to require that mutual funds fully disclose their proxy votes will lead to greater transparency by Canadian corporations. Although the Ontario Securities Commission and other provincial securities commissions do not have similar requirements, some stakeholders believe there is a similar need in Canada. If this change were to take place in Canada, the result could have a direct impact on the corporate social responsibility practices of Canadian publicly traded corporations.

Another area of discussion will likely be the responsibility of individual and institutional shareholders to the boards of directors, corporate management and legitimate stakeholders. The governance debate is pushing CEOs to be more accountable to boards, and directors to be more accountable to investors. What investors are saying—and what the messages they communicate to directors and corporate executives are—will be of critical interest.

## 8. COLLECTIVE THINKING: MULTI-STAKEHOLDER COALITIONS FOR MAJOR SOCIETAL CHALLENGES

Coalitions of companies, civil society organizations, government and multilateral institutions may emerge to tackle the systemic challenges that cannot be solved by individual actors. The unique resources, expertise and core competencies of partners could be leveraged to achieve maximal impact, particularly in least developed or transitional economies. Canadian subsidiaries of global pharmaceutical and textile companies, for example, are currently working in partnership with other actors, such as the World Health Organization and World Environmental Fund's World Health Initiative, to address major issues. These include HIV/AIDS and fair overseas working conditions. Such precedents may be a precursor of things to come. Canadian corporations operating overseas will likely become increasingly involved in human security and initiatives to help build stability in conflict zones, such as Africa and the Middle East.

## 9. MANAGING SOCIAL AND ENVIRONMENTAL PERFORMANCE IN THE VALUE CHAIN

Consumers and other stakeholders will become more interested in how Canadian corporations manage the effect of their operations throughout the corporate value chain. Ethical labelling and emerging technologies (e.g., radio frequency identification tags) will gain popularity, as stakeholders demand transparency about where products originate.

The boundaries of supply chain management will also evolve to encompass new areas, such as responsible resource extraction. Stakeholders will start to question, for example, whether a product comes from an old-growth forest or a renewable one; and whether or not petroleum comes from a zone of conflict. The examples of the Kimberly Certification Process<sup>2</sup> (conflict diamonds), Marine Stewardship Council (sustainable fisheries) and Forest Stewardship Council/Sustainable Forestry International (sustainable forestry) point to the potential for such a model of supply chain management. For Canadian companies, with their heavy emphasis on natural resource extraction, this issue will bring both challenges and opportunities.

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1 According to the Centre for Ethical Orientation, 8 in 10 Canadians feel that distrust is growing. Diminished trust is, in large measure, a result of a feeling of personal diminishment. Canadians feel that:

- They have less of a voice in influencing policy, strategy and decision-making;
- Human considerations are secondary to those of economics and efficiency; and
- Those in positions of power or authority largely escape accountability, taking decisions without fully appreciating human consequences.

Centre for Ethical Orientation, *Aiming High: Rebuilding Trust in a Time of Suspicion* (Toronto: Centre of Ethical Orientation, 2003).

2 As of January 1, 2003, Canada joined over 30 countries and the European community in the implementation of an international certification scheme, the Kimberley Process, for rough diamonds. Under the certification scheme, participating countries will be required to export rough diamonds in tamper-resistant containers and provide a certificate, validated by the government of the exporting country, confirming that the diamond exports are conflict-free. Participating countries will also be prohibited from importing rough diamonds from countries not participating in the Kimberley Process. Penalties for non-compliance include fines, imprisonment and the loss of trading licences. From the website of the Department of Foreign Affairs, Ottawa. <[www.dfa.gc.ca](http://www.dfa.gc.ca)>.

## CONCLUSION

# Concluding Thoughts on Corporate Social Responsibility

The purpose of this report was to examine whether or not Canada's largest corporations have responded to the new expectations of social responsibility. In doing so, we sought to answer the following questions:

- Are they taking steps to manage their CSR performance?
- Are there areas of strength or areas for improvement?
- What are the current and future societal pressures that will challenge corporate competitiveness and success?

The Canadian corporations we surveyed and assessed have responded to the new expectations of social responsibility. They have taken steps to incorporate corporate social responsibility management practices into all five dimensions of activity.

However, areas for improvement remain in all five categories of CSR, particularly in human rights. CSR management practice needs to get more sophisticated. The emphasis so far, has been mostly on process, and

little attention has been paid to measuring the impact of CSR practice. Linking practices to performance is the exception rather than the rule. The level of public reporting by the Top 300 corporations is low.

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**Balancing business opportunity with societal impact is a must for business success in the new century.**

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New social and environmental risks, such as human rights performance and environmental liabilities, provide strong arguments for systematically managing all aspects of CSR.

This leads to one conclusion. Corporations must pay heed to social responsibility. There is an urgent need to find ways to balance business opportunity with societal impact in a way that builds value, both for themselves and for society.

## APPENDIX A

# Stakeholders Interviewed

|  |   |
|--|---|
| Amnesty International (Canada)                             | ISEAL Alliance  |
| Canadian Business for Social Responsibility                | Maquila Solidarity Network                                    |
| Canadian Co-Operative Association                          | Mining Association of Canada                                  |
| Canadian Council of Chief Executives                       | Mining Watch Canada   |
| Canadian Council for International Cooperation             | Oxfam Canada  |
| Canadian Labour Congress                                   | Pembina Institute   |
| Communications, Energy and Paperworkers<br>Union of Canada | Pollution Probe   |
| ETC Group  | Shareholder Association for Research and<br>Education (SHARE) |
| Ethics Practitioners' Association of Canada                | Social Investment Organization                                |
| Greenpeace Canada  | The North-South Institute                                     |
| Industry Canada, Office of Consumer Affairs                | United Way  |
| International Institute for Sustainable Development        | World Wildlife Fund (Canada)                                  |

## APPENDIX B

# Financial Post's Top 300 Corporations

|  |  |   |
|--|--|---|
| 3M Canada Co.                                  | Burlington Resources Canada Ltd.                       | Coopérative fédérée de Québec           |
| Abbott Laboratories Ltd.*                      | CAE Inc.   | Co-operators General Insurance Co.      |
| Abitibi-Consolidated Inc.                      | Caisse de dépôt et placement<br>du Québec              | Costco Wholesale Canada Ltd.            |
| Aecon Group Inc.                               | Calgary Co-operative<br>Association Ltd.*              | Cott Corp.                              |
| Agricore United                                | Call-Net Enterprises Inc.                              | CP Ships Ltd.                           |
| Agrium Inc.                                    | Cameco Corp.*  | Creo Inc.                               |
| Agropur Cooperative*                           | Canada Life Financial Corp.                            | Crown Cork & Seal Canada Inc.           |
| Air Canada                                     | Canada Mortgage and<br>Housing Corp.*                  | DaimlerChrysler Canada Inc.*            |
| Alberta Gaming and<br>Liquor Commission        | Canada Post Corp.                                      | DaimlerChrysler Services<br>Canada Inc. |
| Alberta Treasury Branches*                     | Canada Safeway Ltd.                                    | Deloitte & Touche LLP*                  |
| Alcan Inc.                                     | Canadian Commercial Corp.*                             | Devon Canada Corp.                      |
| Algoma Steel Inc.                              | Canadian Imperial<br>Bank of Commerce*                 | Dofasco Inc.                            |
| Alimentation Couche-Tard Inc.                  | Canadian National Railway Co.*                         | Domtar Inc.                             |
| Alliance Atlantis<br>Communications Inc.*      | Canadian Natural Resources Ltd.                        | Dorel Industries Inc.                   |
| Allianz Canada                                 | Canadian Oil Sands Trust                               | Dow Chemical Canada Inc.*               |
| Apache Canada Ltd.                             | Canadian Pacific Railway Ltd.*                         | DuPont Canada Inc.                      |
| AstraZeneca Canada Inc.                        | Canadian Tire Corp., Ltd.                              | EDS Canada Inc.*                        |
| AT & T Canada Inc.                             | Canadian Ultramar Co.                                  | E-L Financial Corp. Ltd.                |
| ATCO Ltd.                                      | Canadian Waste Services Inc.                           | Ellis-Don Inc.                          |
| ATI Technologies Inc.                          | Canadian Wheat Board*                                  | Emco Ltd.                               |
| Aviva Canada Inc.                              | Canfor Corp.   | Emera Inc.*                             |
| AXA Canada Inc.                                | Canon Canada Inc.                                      | Empire Co. Ltd.                         |
| Bank of Canada                                 | Canpotex Ltd.  | Enbridge Inc.                           |
| Bank of Montreal*                              | CanWest Global<br>Communications Corp.                 | Encana Corp.*                           |
| Barrick Gold Corp.                             | Cara Operations Ltd.                                   | Enmax Corp.                             |
| BASF Canada                                    | Cargill Ltd.   | EPCOR Utilities Inc.*                   |
| Bayer Inc.                                     | Cascades Inc.*   | Export Development Canada*              |
| BC Gas Inc.                                    | CCL Industries Inc.                                    | Export Packers Co. Ltd.                 |
| BCE Inc.                                       | CGI Group Inc.   | Extendicare Inc.                        |
| Biovail Corp.                                  | Charlwood Pacific Group                                | Fairfax Financial Holdings Ltd.         |
| BMTC Group Inc.                                | Cinram International Inc.                              | Fairmont Hotels & Resorts Inc.          |
| Bombardier Inc.                                | Cisco Systems Canada Co.                               | Federated Co-operatives Ltd.            |
| Brascan Corp.                                  | Cognos Inc.  | Finning International Inc.              |
| British Columbia Hydro &<br>Power Authority*   | Commission de la santé et<br>de la sécurité au travail | FirstService Corp.                      |
| British Columbia Liquor<br>Distribution Branch |  | Flint Energy Services Ltd.              |
| British Columbia Lottery Corp.                 |  | Fluor Canada Ltd.*                      |
|  |  | Ford Credit Canada Ltd.                 |
|  |  | Ford Motor Co. of Canada, Ltd.*         |
|  |  | Fording Canadian Coal Trust             |

Fortis Inc.  
 FPI Ltd.  
 Gaz Métropolitain and Co., L.P.  
 Geac Computer Corp. Ltd.  
 General Motors Acceptance Corp. of Canada  
 General Electric Canada Inc.  
 General Motors of Canada Ltd.\*  
 George Weston Ltd.  
 Gerdau Ameristeel Corp.  
 Glaxo SmithKline Inc.  
 Great Atlantic & Pacific Company of Canada Ltd.  
 Groupe Brochu  
 Groupe Uniprix  
 Hewlett-Packard (Canada) Co.  
 Hollinger Inc.  
 Honda Canada Inc.  
 Honeywell Ltd.  
 HSBC Bank Canada  
 Hudson's Bay Co.\*  
 Hurricane Hydrocarbons Ltd.  
 Husky Energy Inc.  
 Husky Injection Molding Systems Ltd.  
 Hydro One Inc.  
 Hydro-Québec  
 Hyundai Auto Canada  
 IBM Canada Ltd.\*  
 Imperial Oil Ltd.  
 Imperial Tobacco Canada Ltd.\*  
 Inco Ltd.  
 Indigo Books & Music Inc.  
 Industrial-Alliance Life Insurance Co.  
 ING Canada Inc.  
 Insurance Corp. of British Columbia\*  
 International Forest Products Ltd.  
 International Truck & Engine Corp. Canada  
 Intertape Polymer Group Inc.  
 Intrawest Corp.  
 IPSCO Inc.  
 Ispat Sidbec Inc.  
 Ivaco Inc.  
 James Richardson & Sons, Limited  
 JDS Uniphase Canada Ltd.  
 John Deere Ltd.  
 Johnson Controls Ltd.  
 Kingsway Financial Services Inc.

KPMG LLP  
 Kruger Inc.  
 Lafarge Canada Inc.  
 Laidlaw Inc.\*  
 Laurentian Bank of Canada  
 Le Mouvement des caisses Desjardins  
 Lear Canada Ltd.  
 Ledcor Industries Ltd.\*  
 Liberty Mutual Group  
 Linamar Corp.  
 Liquor Control Board of Ontario  
 Lloyd's Underwriters  
 Loto-Québec  
 Magna International Inc.  
 Manitoba Telecom Services Inc.\*  
 Manulife Financial Corp.  
 Maple Leaf Foods Inc.  
 Masonite International Corp.  
 Mazda Canada Inc.  
 McCain Foods Limited  
 McDonald's Restaurants of Canada Ltd.\*  
 McKesson Canada Corp.  
 MDC Corp. Inc.  
 MDS Inc.  
 Mercedes-Benz Canada Inc.  
 Merck Frosst Canada & Co.  
 Methanex Corp.  
 METRO Inc.  
 Microsoft Canada Inc.  
 Mitsubishi Canada Limited  
 Mitsui & Co. (Canada) Ltd.\*  
 Molson Inc.  
 Moore Corp. Ltd  
 Motorola Canada Ltd.  
 Murphy Oil Co. Ltd.  
 National Bank of Canada\*  
 NAV CANADA  
 Nestle Canada Inc.  
 New Brunswick Power Corp.  
 Nexen Inc.\*  
 Nexfor Inc.  
 Nexinnovations Inc.\*  
 Nissan Canada Inc.  
 Noranda Inc.  
 NorskeSkog Canada Ltd.  
 Nortel Networks Corp.  
 North West Co. Fund  
 NOVA Chemicals Corp.  
 Novamerican Steel Inc.\*

Onex Corp.  
 Ontario Lottery and Gaming Corp.  
 Ontario Power Generation Inc.  
 Parmalat Canada Ltd.  
 PCL Construction Group Inc.  
 Penn West Petroleum Ltd.  
 Pepsi-Cola Canada Ltd.  
 Petro-Canada  
 Pfizer Canada Inc.  
 Pharmasave Drugs (National) Ltd.  
 Placer Dome Inc.  
 Potash Corp. of Saskatchewan Inc.  
 Power Corp. of Canada  
 PPG Canada Inc.  
 Pratt & Whitney Canada Corp.  
 Precision Drilling Corp.  
 Procter & Gamble Canada Inc.  
 QIT-Fer et Titane inc.  
 Quebecor Inc.  
 Reitmans (Canada) Ltd.  
 Réno-Dépôt inc  
 Rexel Canada Inc.  
 Ridley Inc.  
 Rogers Communications Inc.  
 RONA Inc.  
 Royal & SunAlliance Canada  
 Royal Bank of Canada  
 Royal Group Technologies Ltd.  
 Russel Metals Inc.  
 Samuel Manu-Tech Inc.  
 Saputo Inc.  
 Saskatchewan Power Corp.  
 Saskatchewan Telecommunications\*  
 Saskatchewan Wheat Pool  
 Sears Canada Inc.\*  
 Shaw Communications Inc.  
 ShawCor Ltd.  
 Shell Canada Ltd.  
 Sherritt International Corp.  
 Shoppers Drug Mart  
 Siemens Canada Ltd.  
 Slater Steel Inc.  
 Slocan Forest Products Ltd.  
 Smithfield Canada Ltd.  
 SNC-Lavalin Group Inc.  
 Société des alcools du Québec  
 Société générale de financement du Québec  
 Sony of Canada Ltd.  
 SSQ, Société d'assurance-vie inc.

**Table 2**  
53 Surveyed Corporations, Industry Breakdown

| <b>Industry</b>         | <b>No. of companies</b> |
|-------------------------|-------------------------|
| Accounting              | 1                       |
| Amusement               | 1                       |
| Banking                 | 5                       |
| Biotechnology           | 1                       |
| Chemicals               | 1                       |
| Energy                  | 3                       |
| Engineering             | 2                       |
| Farm                    | 1                       |
| Finance                 | 2                       |
| Food manufacturing      | 1                       |
| Food seller             | 1                       |
| Forestry                | 2                       |
| High tech manufacturing | 1                       |
| Import                  | 1                       |
| Information technology  | 2                       |
| Manufacturing           | 2                       |
| Media                   | 1                       |
| Merchant                | 2                       |
| Mining                  | 3                       |
| Property insurance      | 2                       |
| Service                 | 1                       |
| Telecommunications      | 2                       |
| Transportation          | 3                       |
| Utility                 | 8                       |
| Vehicle                 | 3                       |
| Wholesale               | 1                       |

Source: The Conference Board of Canada.

|  |  |
|--|--|
| St. Lawrence Cement Group Inc.           | The Wawanesa Mutual Insurance Co.          |
| State Farm Group Insurance Co.           | Toromont Industries Ltd.                   |
| Stelco Inc.                              | Toronto Hydro Corp.*                       |
| Sun Life Financial Services<br>of Canada | Torstar Corp.                              |
| Suncor Energy Inc.*                      | Toyota Canada Inc.                         |
| Taiga Forest Products Ltd.               | TransAlta Corp.*                           |
| Talisman Energy Inc.                     | Transat A.T. Inc.                          |
| Teck Cominco Ltd.*                       | TransCanada PipeLines Ltd.*                |
| Telesystem International Wireless Inc.   | Transcontinental Inc.                      |
| TELUS Corp.                              | Trizec Canada Inc.                         |
| Tembec Inc.*                             | Unilever Canada Ltd.                       |
| The Bank of Nova Scotia                  | Union Gas Ltd.*                            |
| The Brick Warehouse Corp.                | United Farmers of Alta<br>Co-operative Ltd |
| The Canam Manac Group Inc.*              | Univar Canada Ltd.                         |
| The Economical Insurance Group*          | Volkswagen Canada Inc.                     |
| The Forzani Group Ltd.                   | Wajax Ltd.                                 |
| The Independent Order of Foresters       | Weldwood of Canada Ltd.                    |
| The Jean Coutu Group (PJC) Inc.          | West Fraser Timber Co. Ltd.                |
| The Jim Pattison Group                   | Weyerhaeuser Co. Ltd.                      |
| The Katz Group                           | Wolseley Holdings Canada Inc.              |
| The Manitoba Hydro-Electric Board        | Workers' Compensation Board,<br>Alberta    |
| The Maritime Life Assurance Co.          | Workplace Safety & Insurance Board         |
| The TDL Group Ltd.                       | Xerox Canada Inc.                          |
| The Thomson Corp.                        |  |
| The Toronto-Dominion Bank*               |  |

\*denotes survey respondent (n=53)

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