



CANADIAN BUSINESS FOR
SOCIAL RESPONSIBILITY

Overview of

5th Annual Summit on Corporate Social Responsibility

Driving Strategy, Engagement and Impact

Wednesday, November 7, 2007
The Westin Harbour Castle
Toronto, Canada

About CBSR

Founded in 1995, CBSR is a business-led, non-profit CSR consultancy and peer-to-peer learning organization that provides its members with candid counsel and customized advisory services as they formulate powerful business decisions that improve performance and contribute to a better world.

Summit Summary Overview

Locally-Sourced Breakfast and Refreshments sponsored by



Opening Remarks from the President and CEO of CBSR

Adine Mees, President and CEO, Canadian Business for Social Responsibility

Adine Mees welcomed the 140 attendees to a carbon neutral event, the 5th Annual CBSR Summit. This year's topics were: Climate Change Strategy and Communication and NGO Engagement and Accountability.

- Thank you to the event sponsors: Nexen Inc., The Ethical Funds Company, Syncrude Canada Ltd., Rio Tinto Alcan Inc. and EnCana Corporation.
- The 2007 Summit was sold out 3 weeks prior to the event.
- CBSR has experienced a large increase in its membership base (30% increase over the last year). CBSR conducted an internal accountability report in 2007 which will be used for internal management and next year will be published.
- To help member companies; CBSR has produced the CBSR Climate Change Guide. Produced with the support of David Demers, CEO, Westport Innovations Inc. and Karen Hamberg, Manager Sustainability and Environmental Performance, Westport who was seconded (for 9 months) to produce the climate guide which contains timely information and resources including Canadian case studies.
- Unique gifts were given to the Summit attendees –an issue of Rolling Stone magazine – unique because it is printed on Catalyst Cooled carbon neutral paper.
- Announced a new business service offered by CBSR through the addition of Jacqueline Kuehnel, Associate, CBSR and Associate, The CarbonNeutral Company. Jacqueline is specializing in climate change related advisory services.

Adine Mees read a letter from CBSR's patron - His Royal Highness Prince Charles, President of Business In The Community (UK) emphasising the immediate need for action to reduce our impact on climate change.

Welcome from the Summit Chair

The Right Honourable Joe Clark, Former Prime Minister of Canada

The Rt. Hon. Joe Clark described how we have reached a tipping point on climate change – the context of the “what will we do?” is more imperative and more critical now.

- Our world/lifestyle (developed countries) is comfortable therefore our role in impacting the environment will involve sacrifice.
- The opportunity is greater for those making the biggest impact. Our basic assumption of our right to a life of ease... needs to be questioned.
- Substantial majorities of populations (in US, China etc.) will pay more for energy that is “greener” and are prepared to make significant lifestyle changes to lessen their impact on the environment.
- Business has to be a leader in the change!

Morning Theme: Climate Change Strategy and Communication

Keynote Address: How Can Canadian Companies Adapt to the New Dynamics of Climate Change?

Tom Delay, Chief Executive, The Carbon Trust (UK) - via teleconference

Tom Delay discussed the purpose of The Carbon Trust (CT), and focused especially on the importance of creating consumer demand for low-carbon products, since business responds most efficiently to consumers. Mr. Delay noted the difference between direct and indirect carbon when considering the carbon footprint of a product. Finally, he introduced the Carbon Trust's carbon reduction label, which identifies how much carbon has been saved in the production of one unit of a given product.

- Although the CT is physically in the UK, many companies are now international in scope and can therefore apply the CT learning to their own organizations.
- CT is supported by government funds and contributions from the private sector, and is directed by a board made up of private sector representatives who believe in the organizations mission: to create a low carbon economy
- CT focuses on creating new insights, solutions, innovations, enterprises and investments in support of this mission.
- CT is receiving significant capital flow from private sources
- Delay identified two potential scenarios:
 - Plan A: Government prices carbon to drive business to make more sustainable decisions. They could act as the "conscience of consumers". However, the reality is that business responds best to consumer demands, and the green consumer is emerging slowly.
 - Plan B: Business as usual, it is the consumers who push change towards sustainability. This appears to be the more appropriate way to change business behaviour. The concerns of consumers will reinforce the government's mandate and accelerate the move to a low carbon economy.
- Consumer awareness is growing, as seen in the dramatic increase in press coverage of climate change, and there is significant consumer interest in corporate carbon footprint measures.
- Many consumers will make purchasing decisions based on corporate carbon footprints, especially with regards to travel, food, cars and even banking.
- Easyjet provides an example of an airline that decided to promote its green activities to consumers with great success.
- Carbon footprint tools measure both the direct and indirect carbon associated with a given activity. Indirect carbon is the carbon used to produce the item, while direct carbon is the carbon associated with the use of the item.
- Carbon footprint measures both kinds of carbon since it considers the inputs from the beginning to the end of the life cycle of a given product (cradle to grave).
- CT has developed a carbon reduction label, which identifies reductions in carbon emissions on a given product.
- Companies work with CT to identify and commit to specific reduction targets, and can then use the label on the product. If they fail to meet and maintain the targets they have agreed upon, they lose the right to use the label.
- CT has received very positive feedback on the program and on the label. Customers feel that having the concrete reduction number on the label provides credibility.
- CT believes the next step is to create an international standard and label

Questions:

- Has there been any research done on how oil and gas retailers may be affected by new gas standards?

No, not yet, there is an independent group that has been created, but they focus only on the embodied carbon in use. Retail is at the lower end of the profitability scale, but in terms of broader reputation it is critical.

- We saw the press coverage has increased dramatically, how do we deal with climate change fatigue?

We need to move quickly from thought to actions, go beyond the talk and start to act. People are likely to get disillusioned and disappointed. Government and the public may be disillusioned with international processes and with business in a post-2012 world. Business can sometimes make ridiculous claims-it is important that the claims we make can be substantiated.

Creating Integrated Climate Change Strategies with Teeth: What Are the Key Opportunities for Real Risk Mitigation and Commercial Growth?

Moderator	David Demers, Chief Executive Officer, Westport Innovations Inc.
Panel	Jim Miller, Executive Vice President, Honda Canada Inc. Wishart Robson, General Manager, Safety & Climate, Nexen Inc. John Viera, Director, Sustainable Business Strategy, Ford Motor Company (US) Donna Young, Head of Climate Change, BT Group plc (UK) - via teleconference

David Demers began the session with a quote from a University of Calgary poster he saw in Toronto Pearson Airport “We can solve Climate Change, why don’t we just do it?”

Some of the top drivers of corporate climate strategies are:

1. Money
 2. Operational Efficiencies
 3. Socially Responsible Considerations
 4. Industry Innovations
- ...At the end of the list is pressure from NGO’s

Mr. Demers opened up the floor by asking the panel and the rest of the attendees 4 questions:

1. How are you going to decrease your carbon footprint?
2. What is your carbon footprint?
3. How honest are you going to be? And how committed are you to being honest?
4. How are offsets going to be verified? Are you going to use them?

Jim Miller stated that Honda is greening their business through improving air quality in conventional engines, developing hybrid energy model vehicle and utilizing alternate fuels for improved energy sustainability.

Mr. Miller made the following points about Honda’s operations:

1. The company has created a vehicle that runs on fuel cell innovations and produces zero emissions.
2. Honda does voluntary goal setting and they are going to decrease CO2 emissions by 10% in the next year.
3. Honda won 2007 Greenest Auto Maker award from Union of concerned scientists.
4. Created a home energy system that is being used in Japan and is currently being tested in the UK.

Wishart Robson outlined the current climate challenges for Nexen as:

1. Increasing cost of business
2. Increasing cost of global commodities
3. Increasing cost of producing from WCSS
4. Decrease of ACCA
5. Decrease of foreign interest deductible
6. Decision on royalty trusts
7. Federal decision pending
8. GHG regulation pending

Mr. Robson went on to outline that:

- Government has not supported Nexen in the past.
- The company has been an early mover and it has been to its disadvantage.
- They increased efficiency, decreased emissions, avoided deforestation in Belize, Kyoto mechanism – but did not receive carbon credits from government.
- Nexen is working towards a Carbon Capturing and Storage program (refer to clean coal diagram in slide show). The program increases costs by 20%.
- There are 14 companies working together to make working solutions but the challenge is funding the gap between what technology costs and what consumers will pay. There should be a partnership between public and private in order to make the solution useable on a global scale.
- A necessary directive to government is: Don’t slow growth, don’t transfer wealth, this is a global problem, must be a global solution, a healthy economy is a healthy environment.

John Viera stated that Ford still has a lot to do in terms of climate change strategies. Making changes to the classic combustible engine is not where there is going to be noticeable change, automakers, like Ford, must concentrate on alternative energy sources.

Existing vehicles on the road contribute the most CO₂ emissions, new vehicles only contribute 1% of total emissions from Ford vehicles. The challenge for Ford is to attack old vehicles and decrease the emissions of these vehicles.

Ford's carbon footprint is comprised of:

- 90% is from existing vehicles on the road
- 8% is from producing vehicles
- 1% is from new vehicles
- the remainder is from manufacturing facilities (which has decreased over the past 4 years).

Ford was first (of automakers) to:

1. Purchase carbon offsets for hybrids,
2. Enable customers to purchase carbon offsets
3. Use Terrapass

Ford's goals for future are to:

- decrease GHG emissions and energy use
- work with partners to create effective and practical solutions
- Focus on three areas: vehicles, driver, and fuel.
 - i. Vehicle: efficient regular vehicles, hybrids, clean diesel, hydrogen, carbon offsets are included in price of vehicles, there are 5 fuel-cell cars in BC as test vehicles.
 - ii. Driver: eco-driving sheet.
 - iii. Fuel: alternative fuels (not corn-based as it is not sustainable).

Canadian Operations have been the leader – Ford will use Canada as benchmark for other production regions.

Donna Young discussed how BT has been a leader in creating innovative, employee-driven, lasting strategies to address climate change. The company does not simply adhere to regulations but surpasses them and challenges them. Senior management at BT read the Stern Review and acts upon the unveiled principle that it will cost more to do nothing than it will to do something now.

BT's climate change strategy includes the following:

1. CO₂ emissions have decreased at BT by 80% since 1990.
2. BT has used CO₂ emissions from 1996 as the benchmark.
3. Decreased waste produced by 42%
4. Employee engagement has been key to the success of their climate change action.
5. 13,000 employees work from home, productivity has increased by 21%, less sick leave, increased work/life balance.
6. Use videoconference = decrease 90K tones of CO₂ produced = saved 40 million pounds.
7. 20% of 106K employees actively engaged in strategy.

How BT is going to decrease their carbon footprint:

1. they have signed the world's biggest green energy contract,
2. the company's ultimate aim to use 100% renewable energy and
3. they will plant a tree for every consumer who switches to e-billing

Questions:

- Why is clean diesel not offered in Canada? (But it is in Europe).

Diesel does not meet smog regulations in Canada. The future is getting better. The price differential between diesel and fuel is not as great as in Europe. Emissions, including noxious gasses, and particulates do not pass Canadian standards.

- Employee engagement – can you, all, comment on this further?

Jim Miller, Honda – we facilitate recycling in all plants, tree planting day, volunteer program with environmental agencies.

Donna Young, BT – carbon clubs, employees create team for personal and/or BT’s operations to decrease carbon footprint. There are 70 clubs now. Gives employees a mode of expression.

Wishart Robson, Nexen – virtual workspace program (only 100 employees). Paid for all employees to have home energy audit.

Community in Practice – dialogue forum for all, access to all of Nexen’s data.

Networking Refreshments Break

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Open Space Interactive Session

Saying It and Meaning It: Communicating Climate Change Strategies to Shareholders, Employees, Partners and Communities

Moderators	Tom Heintzman, President, Bullfrog Power Inc. Doug Kube, Director of Environment, Health and Safety, Purolator France Levert, Snr Advisor, Sustainability and Environmental Performance, Hydro-Quebec Timo Makinen, Manager of Climate Change & GHG Strategy, Shell Canada Oil Sands Michelle McCulloch, Director of Client Relations, Innovest Strategic Value Advisors Esther Speck, Director, Sustainability & Community, Mountain Equipment Co-op
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Tom Heintzman, President, Bullfrog Power described his observations of Best Practice enactment of CSR Strategies as having a focus on the three essential elements of communication, message and action.

1. Communication

- Must have CEO (C-Suite) focus. Message must “come from” highest level. Example: VanCity – challenge from CEO – “Are you ready for a landslide of change?”
- CSR must be part of all aspects of business (incorporated in overall plans). CSR is communicated with everything you do. Look for opportunities to talk about CSR in all situations. i.e.: Every job has “green” roles and/or responsibilities.
- Reward – align compensation with accomplishment of CSR goals. Communicate with \$\$ that CSR is essential.

2. Message

- Vision – must have compelling over arching VISION
 - Example: Wal-Mart – 0% waste, 100% renewable energy
- Tailor message – must be specific to each stakeholder group
- Education is an end (goal) in itself (not just specifics Results)
- Open and transparent – be humble about accomplishments
 - prepare for “green backlash”
 - Example: RBC – great website – reports results against targets
- Be patient, describe process... one step at a time
- Advocacy – create opportunities to have others speak for you
Example: Bullfrog or WWF

3. Action

- If you are going to talk about an achievement (or goal) – make it significant there has to be some “pain” involved for the organization.
- Must establish long term pattern of consistent decisions and behaviours to create credibility.
- Must have multi-faceted targets (actions) to be credible

- Examples: Conservation, GHG reductions, education, transportation
- N.B. – the break even (business case) may not exist – might have to do the right thing for the right reason and the return is intangible Goodwill.
- Look for opportunities to help others (i.e.: customers, employees, suppliers) achieve their goals. Example: BT, Bell helping employees live greener.

Open discussion:

- How to find own footprint?
 - *Engage the right people and apply due process. Just do it.*
 - *Refer: The Climate Change Guide. See: Appendices (of Climate Guide) for resources.*
- How to set targets?
 - *Must involve some stretch/pain.... but achievable.*
 - *Compare within industry and in similar industry*
- Research supports that consumer is increasingly supportive of making choices based on corporation's CSR record/image
- How to demonstrate to employees?
 - *Must engage employees in process and production of good results.*
 - *Provide access to senior mgt. in supportive roles towards achievement of goals*
 - *Tie to compensation (\$ where your mouth is...)*
 - *Important not to just focus on reduction of carbon footprint – LOOK for opportunities to zero base development of new efficient processes/services/products. Creativity.*
 - *Key to develop corporate culture that supports importance of CSR as integral to strategic direction.*

Doug Kube provided an overview of Purolator's "Green Fleet" Initiative and then opened it up to questions and answers.

Purolator Presentation Highlights

- Purolator:
 - Canada's largest courier company
 - 140 operating sites across country
 - 3700 vehicles in fleet
- History of Green Fleet Initiative :
 - Started 2000 as program to reduce fuel costs
 - Currently spend \$120 MM on fuel / year
 - 2002 introduced hybrid into fleets
 - Currently 49 on road → saving on average 44% fuel
 - Partnered with Hydrogenics (hydrogen fuel cell manufacturer)
 - Launch HFC fuel station in Toronto
 - 2005 launched Quicksider
 - Vehicle designed from scratch (lighter carbon fibre shell, fully electric powered)
- Business Case for Initiative:
 1. Hedge against increasing fuel costs
 2. Improve operating efficiency
 3. Promote Purolator into green leadership position
 4. Engage / retain employees
- Challenges in Communicating Initiative:
 - Hybrid payback is 8 years (vs. 2-3 for normal business projects)
 - able to get funding from Natural Resources Canada
 - need to reach tipping point ~ 10 000 hybrid trucks to achieve scale efficiencies
 - Partners had technical difficulties with new technologies e.g. battery advancements
 - Strong resistance from marketing
 - Only cost and reliability matter to customers

- Keys to Success:
 1. Climate change initiative must fit with corporate values
 2. Climate change initiative must fit with overall business strategy
 3. Passionate CEO and exec support
 4. Look for non-traditional funding if and when necessary
 5. Do not over promise and under-deliver

Open Discussion:

- Has Purolator looked at partnering with other orgs (non-competitors) such as TELUS, BC Hydro, which also have fleets of comparable van size?

Not yet, but it could be great opportunity.
Tried to partner with Canada Post but they were too slow to respond
- Did you look at improving routes for better efficiency as well?

Absolutely – route optimization via GPS systems has proven very effective, even to the point of avoiding traffic jams. TELUS and Loblaw's also use route optimization using GPS
- Why did you choose hybrids over other technologies e.g. CNG?

Hybrid technology most advanced at time. Less maintenance required.
TELUS uses several technologies to achieve a collective fleet average fuel economy
- Any lessons on dealing with resistant executives?

Need to deal with varying levels of engagement. Have to speak in terms of capital – financial, social, reputation. Be persistent. Use case studies. See if you can get Board buy-in, who have a lot of clout with senior management.
- Canadian government and Canadian companies often have wait-and-see attitude, how to overcome this?

Use case studies from other countries e.g. TELUS looked at BT
- How Can Companies Get Buy-in on Carbon Credits

Speak to the marketing angle and brand leadership
- What are the Risks in Purchasing Offsets? Often they are seen as a “sin” tax

Purchase quality offsets i.e. Canadian companies should purchase offsets from projects in non-Annex I countries (as part of CDM).
Purchase good vintage offsets (i.e. ensure the year you purchase them is as close as possible to year the offset will occur).
Try and integrate offsets as part of overall carbon strategy i.e. it should be a last resort after reducing as much as possible

France Levert from Hydro-Quebec introduced the initiatives that she has been involved with at Hydro Quebec, with a specific focus on the initiatives in place at the Montreal headquarters. She noted that Hydro Quebec has developed a number of sustainable transportation initiatives, as well information programs and sustainable procurement programs. The question and answer session revealed that many other companies in attendance had developed similar initiatives, but that employee response varied. In some cases there was an overwhelming response, and in others, there was a very limited response.

- Hydro Quebec (HQ) is the electricity company in the province of Quebec, and the only shareholder is the government.
- HQ has four million customers, and more than 22,000 employees. The company has a long standing commitment to environment and sustainability, and conducted their first impact assessment in 1974, and their first environmental performance report in 1995.
- HQ promotes energy efficiency internally and for HQ customers, and invests in innovation and new technologies, such as a fleet of electric cars and partnerships with researchers to develop new technologies for its operations.
- HQ activities contribute very little GHG emissions, since they are primarily involved in renewable hydro energy. However, they continue to maintain a focus on reducing their organizational environmental footprint.
- HQ has an internal team that focuses on green employee initiatives, such as working with Allegro, a Montreal based transportation program, to promote the use of alternative transportation to work (subway, bus, etc.)
- HQ has also developed a self-service bicycle program, provides incentives for using bike transit, supports the

creation of car-pooling teams and provides draws for free subway passes.

- There are also environmental awareness campaigns, guest speakers, and internet sites that inform and involve employees in greening the company.
- HQ also identifies how it can create and maintain a sustainable supply chain, and how the organization can reduce required travel.

Open Discussion:

- For the work with Allegro, did HQ set that up or did Allegro?

HQ set it up, but Allegro provided the support. There was lots of demand, and we found that by working with Allegro we were able to exchange ideas with other organizations.

- Did you provide a subsidy for transit passes?

No, employees pay for their own passes, but every week we have a lottery and someone will win a free pass.

- At McKinsey, we're trying to decrease our footprint and promote green initiatives with our employees, but we're finding it hard to get people involved, did you encounter those barriers at HQ?

No, we had a lot of success, employees were easy to involve. We're in an urban area in Montreal, but some of our solutions and programs don't work in rural areas.

- How was progress in terms of achieving program goals communicated to employees?

Our sustainability report outlines our programs, and specific management teams are responsible for implementing and communicating with their employees. There are specific targets for each operation group, and each manager reports to their team on how they've done meeting those objectives.

- Is it part of their performance review?

Yes, and their environmental performance is also managed through the ISO 14001 system, so it is built right into the system, and each manager puts their objectives into the system. It's a great tool.

- Are the programs management driven or employee driven?

They are not only management driven; employees are encouraged to propose new projects. We also give out sustainability awards to the most innovative employee-driven project that's been developed; we also provide incentives for employee participation.

- Were you surprised by how successful your programs were?

We've engaged our employees in some green initiatives and been overwhelmed by the sustained response; we didn't have the infrastructure to cope with the response!

Timo Makinen, Manager of Climate Change & GHG Strategy at Shell Canada Oil Sands, discussed offsets and convincing stakeholders that you are serious about climate change.

The key points of this discussion are as follows:

- Carbon offsets are a portfolio driver
- Recognize that there is a diverse group of stakeholders to address (i.e. as in the instance of Shell's first co-generation mine)
- Climate change and offsets are at a tipping point
- BOW is not WOW when it comes to stakeholder engagement
- Should make the distinction between reducing and offsetting
- If you are offsetting, it has to be seen as real and legitimate.
 - You need to be careful about how you choose and communicate your offsets
 - You could do a media splash, by getting the community involved in tree planting but there's a caveat: green washing
 - Derive legitimacy from the company but also from the carbon market (i.e. which standard is legitimate?)
 - Canada is one of the most sceptical and unforgiving in sustainability, specifically in the carbon market
- Shell has adopted eight pillars of sustainability to filter carbon offset projects
 - They won't undertake a project unless it will be verified

- Engage stakeholders and innovate as you go along
- There's no "silver bullet" for climate change: the solutions are contained in "silver buck-shot".

Open Discussion:

- Do you go out and talk to stakeholders?
*Provide fair-trade coffee and biodegradable plastic bags at Shell gas stations.
 Shell uses a matrix against which to measure offsetting projects (eight pillars) and looks at the individual impact for each group; however, the panel is no longer in use.*
- Are there opportunities for consumer offsets when buying gas?
Offset at the pump is a service currently offered in Europe
- Who are Shell's key stakeholders?
The Oil Sand Environmental Coalition, as well as Pembina and some others
 - *Meet with them regularly to up-date on offset commitments, which are done in advance – 50% voluntary*
- Explain the offset benchmarking system with a third party
 - *Will it benefit any of the communities we work with?*
 - *Does it cause environmental harm?*
 - *Look at the base line*
 - *What is your standard?*
 - *See www.climatechangecentral.com*
 - *Use a formula for offsetting*
- What are the implications for your goals given the new regulation?
 - *Fortunate*
 - *Trees are Shell's #1 offset*
 - *Wind is their #2 offset which is accepted by the Government of Alberta but not by the Government of Canada*
 - *Conduct scenario planning for the price of carbon*
- Education around sustainability and reason for it
 - 1) *Competitive advantage*
 - 2) *Legitimacy*
 - 3) *Responsibility and ethical passion*
 - *At the end, you're in business, but let's do it right*

Michelle McCulluch outlined the work done by InnoVest Strategic Value Advisors focusing on researching companies around the world to help investors make informed decisions, primarily institutional investors and pension funds. Currently a lot of activity is focussed around building social funds that focus on carbon and carbon disclosure, social, governance and environmental issues as part of their investment decisions. An example would be the Carbon Disclosure Project which includes 230 institutional investors with over forty one trillion dollars under management. They are asking questions such as "What are you doing to mitigate greenhouse gas emissions?" and are receiving over 80% response rates from companies.

Key Points:

- Canadian companies are still far behind on reporting Environmental, Social and Governance issues (ESG). This is not all bad news as there exists a massive opportunity for first-mover advantage and pre-emptive positioning.
- It is a lot of work to deal with these issues and to report on them properly; however, while it is a challenge it is rapidly becoming a global competitiveness issue.
- Global banks are starting to realize how exposed some of their loans are to companies with ESG reporting issues, but the impact of this in the future is unknown.
- The general impact of CSR projects and reporting is neither negative nor positive on share price. Things are still anticipatory right now in North America as there is no real government legislation or regulation to provide direction.
- As long as it is cheaper not to do anything, nothing will be accomplished.
- New, more public methods of reporting (such as standard packaging labels, etc) may have an impact as consumers start to become more educated.

Open Discussion:

- How can we turn around lacklustre Canadian performance and reporting?
Standards and long term policy direction seems to be key. More specific numbers are required to do proper planning and calculations such as knowing the exact price of carbon emissions. Regulation and legislation would be a good starting point. Shell already treats carbon as a commodity on its balance sheet, but other companies are not quite there yet. It is hard to plan a strategy without accurate information, as the entire strategy may be entirely inappropriate or inadequate. However, the US is rapidly moving towards carbon trading and Canada will have to follow along. Ontario seems to be going nowhere fast.
- In this current investment climate, Canada has one of the worst response rates of disclosure on environmental, social and governance issues (ESG). Why? What are the plans for the future?"
As business we are reporting or disclosing information; however, there are limited resources to commit to the constant requirements from reporting agencies or investment information gather groups who require responses from us.
- In light of this, what disclosure groups should be focussed on?
Questionnaire fatigue does exist, but many of these groups contain large potential investors (such as the carbon disclosure project). Try using public reports to answer a lot of the questions you know you will be asked pre-emptively and then submit these already compiled reports in response. If you simply require more resources, you can approach senior management with numbers showing what percentage of market cap. is held by these social investing funds to help them see the magnitude of the issue.
- How do investors use this information? If a company was not on one of these lists what would happen? Is there a business case that it is harder to re-insure or to raise capital due to a lack of disclosure?
Take a look at UNPRI.org which demonstrates voluntary principles of responsible investment, but which stipulates that ESG issues must be considered before any investment is made. Many of the major I-Banks are using this for analysis (Investor Relations Group, Equity Investments Group, etc). An international report by Freshfields law firm also has pointed out the legal issues that disclosing ESG issues is becoming a duty around the world. The other issue for senior management is that if they disclose publicly (such as in an MNDA) a commitment to disclose or to report, then something has to be done.

Esther Speck began by telling the group a few points from MEC's corporate profile:

- The company achieved \$240 million in sales last year,
- 1 in 10 Canadian adults is a member of MEC,
- Indirect way of caring for the environment is selling outdoor products that get people outside.

The talk was intended to focus on the company's communication strategy on sustainability. Ms. Speck informed the group that MEC has deliberately decided not to construct a formal strategy to communicate their sustainability practices as senior management feels it is more important to act and *then* report on these actions.

As part of this conscious strategy, MEC is developing an integrated and comprehensive sustainability program. The company's 5-year sustainability agenda includes the following areas of concentration:

1. Ethical Sourcing
2. Product Sustainability
3. Operations
 - MEC has made the goal to decrease CO2 emissions by 80% by 2050
 - MEC has a staff program that allows employees to take 2-4 weeks of annual vacation and donate their time to international programs such as AIDS/HIV prevention, small business loans, etc. It is co-funded by the Canadian government.
 - There are sustainability coordinators in each MEC retail store. There is a 90% recycling rate in every store. Employees set the bar and so they own the solutions.
4. Advocacy
 - MEC polled members and other Canadians and they said to MEC, "tell me what to do and I will do it". People want solutions even if they are basic. People want to own the solutions and want to take action TODAY. Actions are needed not rhetoric.
 - 2/3 members trust MEC to advocate on their behalf.
 - MEC has started Big Wild project – will be launched in April – the aim to protect 50% of Canada's public land.
5. Comprehensive Sustainability Program, which has three distinct phases:
 1. ACT
 2. TELL

3. ENGAGE AND PROMOTE

A piece of advice for other companies: Give yourself permission to try things and if they don't work - be honest and tell people what did and did not work. And try again!

Open Discussion:

- Do you have advice for companies who are not in active wear and therefore do not have the moral authority to advocate on environmental issues?

You must ask the following questions:

1. *Where can your organization have the most impact?*
2. *What area can you own?*
3. *What makes the most sense?*
4. *How can you be authentic?*

By answering these questions honestly you can be credible and influential, and engage employees and consumers through conversation, as always, get programs in place before talking about them.

- How did you conduct your consumer research? What was your communicating strategy?

Research found that communication needs to happen on delivery and on product, not in a bunch of reading material or on the website, etc. Consumers like stories, personal touch, and honesty.

The most important issues to members for advocacy are:

1. *Wilderness conservation*
2. *Active lifestyle*
3. *Product sustainability/ethical sourcing*
4. *Climate change*

It is important to find out what is important to each company's constituency.

- Will there be a criteria change in the MEC grants offered to NGO's?

The criteria won't change that dramatically. Emphasis on conservation will be there.

- How did you contact members? What was the percentage of responses to membership?

We had 4000 responses; survey was conducted on the web. There was a high rate of abandonment (the survey had to be done twice). The 2nd time was more general, less complicated, and included shorter questions.

Networking Luncheon sponsored by



Barbara Shumsky, Manager, Public Affairs, Syn crude Canada

Barbara Shumsky provided an overview of Syn crude Canada's various stakeholder engagement programs, with a focus on their native stakeholders. Syn crude has committed to developing meaningful engagement strategies that will address stakeholder concerns in sustainable ways. According to Ms. Shumsky, the benefits of oil sands development provide billions of dollars for stakeholders and can be developed responsibly to maintain this flow of benefits for all Canadians.

- The new focus on sustainable development and corporate social responsibility means that progressive businesses are looking for ways to benefit all their stakeholders.
- The key to promoting CSR within an organization is corporate leadership and sharing values with employees. A well-run, ethical businesses will have more value over the long run.
- Syn crude has had a number of successes in building organizational capacity for sustainable development, which can be traced to the emphasis on corporate values and clear codes of conduct. The onus is on leaders to live up to the communicated values and drive these values into the ranks.
- Syn crude has developed a reputation as one of the safest companies working in the oil sands.
- The company has developed a number of programs to engage their native stakeholders, with a focus on education and employment.
 - Syn crude invests in scholarships for native youth and native businesses in the local area.

- Syncrude hosts internships for native youth to develop skills and potential employees.
- Syncrude focuses on buying locally where possible, supporting and strengthening the local economy with spin-offs for their stakeholders. They believe responsible development is the key to securing the social license to operate.
- Syncrude's Wood Bison initiative has allowed them to demonstrate that reclaimed land can have real value; their herd of Bison is 300 strong and grazes on reclaimed land, providing economic and cultural benefits for local communities.
- Syncrude plans to hand a portion of their lease back to the government to emphasize that reclaimed land can be returned in excellent condition when the lease is finished.
- Increased energy efficiency will decrease the number of concerns that are directed at oil companies.
- Oil sands emissions are only 3% of Canadian GHG emissions and provide billions of dollars in benefits to the country. Syncrude is dedicated to ensuring that benefits continue to flow across the country.

Questions:

- How do you integrate the various monitoring groups?
They are all part of a larger social responsibility group, and integrating requires a huge effort from federal, provincial, local governments and industry members. More information is available on our website about the monitoring groups.
- How do you ensure that monitoring groups are independent?
Each one reports on production, dollars spent, budgets, indigenous rights and is audited by a 3rd party.

Afternoon Theme: NGO Engagement and Accountability

Taking Responsibility: What Are Companies and NGOs Doing to Engage and Act Responsibly and Sustainability?

Moderator	Jim Rader, Associate, Canadian Business for Social Responsibility
Panel	Richard Young, Vice President and CFO, Gabriel Resources Ltd. Chris Jochnick, Director, Private Sector Team, Oxfam America

Jim Radar gave an introduction and overview of the backgrounds of each presenter. Each panellist gave their presentation, and then the floor was opened for questions.

Richard Young presented the following information:

- Gabriel started in 2005
- Only owns 1 asset: gold mine in Romania
 - Plan to spend \$700 MM over two years
 - Gold mine known for horrible environmental quality → name means “red water”
 - Up to 60 - 70 X allowable heavy metal concentrations
 - Located in very poor community with not other industries
 - 2/3 don't have running water
 - 70% unemployment rate
- Gabriel agreed to redesign site
 - Adopt environmental stewardship
 - Engage community
 - CEO wants this to be the benchmark in responsible mining
- Challenges in permitting process:
 - Romanian media too expensive to communicate message
 - Gabriel created documentary, “Mine Your Own Business”, but gave up all editorial rights
 - Posted TV ads with pictures of current environmental state and benefits of project
- Impact of NGOs
 - Gabriel found some NGOs weren't really representing voice of community
 - Community wants jobs (only 2 people took out micro-loans because there is no market for launching new products and services)
 - Were internationally funded, managed, and were simply anti-mining
 - Were not transparent on where funding came from
 - Gabriel willing to work with other NGOs:
 - To provide education and local knowledge
 - Given size of project, NGOs are essential part of solution

- NGOs and governments can help distribute the influx of capital from mining projects to address all kinds of development needs

Chris Jochnick presented the following information:

- Oxfam does both community development as well as private sector engagement
- NGO comments
 - Usually they are under-funded and under-resourced and therefore it's usually mining companies that can influence media
- Film Comments:
 - Film = 3rd rate propaganda
 - 15 years out of date
 - "Michael Moore-esque"
 - Does raise some interesting points
 - Point 1: Some small NGOs that are very dogmatic (e.g. anti-mining) are not representative of all NGOS (many of whom work with mining companies)
 - Point 2: Environmentalists are not always sensitive to the needs of local communities but this continues to improve
 - Point 3: NGOs are often less accountable because no shareholders but still have to do reporting (donors, partners) and are probably equally as transparent as mining companies
 - Point 4: NGOs often want to give voice to communities but it is true they do not always represent their true opinions
 - Point 5: Economic benefits of mining projects do not always trickle down to communities
 - Often a legacy of short-term profits going to select individuals
 - Remains long-term environmental and social impacts
 - Point 6: Movie suggests that if you can get majority of community support, you can go ahead with project
 - Oxfam believes you **MUST** have social license before go ahead with project
- Chris Jochnick's (Oxfam) perspective on NGO engagement in mining industry
 - Historically two parties were at odds, today they are much more collaborative
 - Companies seek NGOs:
 - Risk mitigation (reputation, litigation, regulatory)
 - Opportunities (new products, new markets, new resources)
 - NGOs seek Companies:
 - Private sector is dominate player in capitalism
 - New, younger, donors tend to seek market solutions
 - NGOs have capacity to engage with companies
 - Boards of NGOs often come from private sector
 - Collaborations started as philanthropy for service delivery but today it's about:
 - Monitoring collaboration
 - Stakeholder engagement / facilitation
 - NGO subject expertise / training
 - Raise standards (company or industry wide)
 - Joint lobbying

Open Discussion:

- If given chance again, would you make movie again?
 - Yes because movie creates debate and debate is healthy if it leads to more collaboration
 - Don't know if movie will affect permitting process
- What communications strategies work well for companies looking to engage with NGOs
 - Don't be cocky – often companies assume that influx of cash into communities in impoverished locales will be a no-brainer → Not always so
 - If you are going to do CSR, do it 100% (no halfway CSR)
 - Don't trumpet CSR activities too early
- How to deal with small but large voice NGOs?
 - Always start with stakeholder risk analysis
 - Might have to disaggregate and deal 1-on-1 with them
 - Governments are never friends of business → only want to be re-elected

- What are 3-5 Critical Rules of NGO-Corporate Engagements?
 - *NGOs must be careful to maintain independence and credibility e.g. Oxfam doesn't promote work with Wal-Mart on clean gold because it Oxfam also does labour rights work*
 - *Need senior level support within Companies because champions could be ineffective or lose job*
 - *NGO resources are scarce so must make sure the corporation is fully committed*
 - *Companies should never engage NGOs just for PR unless they are ready to walk the talk*
 - *Must be clear understanding on both sides of risks and opportunities*
 - *Must be senior buy-in on both sides*
 - *Engagement must be formalized i.e. with legitimate exit strategy built-in*

- How do you treat NGOs that don't adhere to their own accountability principles?
 - *Be patient, other NGOs will discredit them soon enough*

- What are the Risks in Purchasing Offsets? Often they are seen as a "sin" tax
 - *Purchase quality offsets i.e. Canadian companies should purchase offsets from projects in non-Annex I countries (as part of CDM)*
 - *Purchase good vintage offsets (i.e. ensure the year you purchase them is as close as possible to year the offset will occur)*
 - *Try and integrate offsets as part of overall carbon strategy i.e. it should be a last resort after reducing as much as possible*

Engaging NGOs: How Much is Enough and How Much is Too Much?

Moderator	Myrna Khan, Vice President, Canadian Business for Social Responsibility
Panel	Mike Russill, President and CEO, WWF Canada Ron Nielsen, Director, Sustainability and Strategic Partnerships, Alcan Inc. Frank McShane, Group Lead, Corporate Responsibility and International Community Relations, Encana Corporation

Myrna Khan outlined the following points for consideration:

- Why have NGOs become a key stakeholder?
- NGOs are more trusted than companies
- Emphasis on collaborative approaches because they can bring value
- Companies create strategies for NGO engagement by looking at:
 - How to engage
 - Education and communication
 - Value alignment
 - Key issues

Frank McShane made the following points:

- EnCana is the leading North American gas producer
- They are resource providers
- The challenge is building trust based on conducting business in a socially and environmentally responsible manner
- Jonah, Wyoming, U.S. is one of the most significant natural gas discoveries in the world
 - In accounting for loss of habitat, had to strike a balance between on- and off-site mitigation
- There is a vast continuum of NGOs: adversarial, moderate, collaborative
 - May shift position based on issue at hand
- Corporate response alternatives include: confront, avoid, overwhelm, engage (carries risk)
- It's about balance, care, vision, as opposed to drilling or not drilling
- EnCana sets internal goals of engagement, and builds support for natural gas production and onsite mitigation
- Recognize the risks of onsite mitigation (i.e. antagonizing other parties)
- Set internal guidelines and reasonable expectations
- The external process then became simple and the outcome productive
- Engaging NGOs is an evolving approach

- Initially it is high risk and mainly defensive.
- Then it can become responsive with the goal of partnership
- Know what you're giving up and the starting point of the discussion

Ron Nielsen, Director, Alcan Inc. presented the following information:

- Engagement has many meanings
- Use skilled people to engage in meaningful dialogue
- There is no one right way to do stakeholder engagement
- Prioritize stakeholder engagement: how will you rank the stakeholders?
- Understand the objective/interest of stakeholders
- Monitoring how you conduct stakeholder engagement
- Do the stakeholders you're engaging with have decision-making power?
- How will you disseminate information within the company?
- How close do you want your stakeholders?
- How do they align with your business interests – a critical factor
- You want a central resource to cultivate capability broadly for effective engagement
- Recognize the impact of stakeholders (i.e. small stakeholders can have a big impact)
- Linkages, complexity, and social ties are not simple and straight forward
- Activism and engagement by a wider spectrum of players at all levels
- Spectrum of interests around an issue with the company being one interest rather than the company being situated at the centre
 - Need to bring the right kind of players to the table
- Be collaborative and creative: are you prepared to have distributive leadership?
- The rules are changing: there are higher expectations to be more socially responsible and there is more pressure on NGOs to advocate
- There is no single aspect to engagement
 - Need cross-capability to engage
 - Match to priorities: there is no limit to how much
- There are three perspectives to stakeholder engagement
 - 1) Corporate: commitments, endorsement, promoting sustainability but not necessarily engagement at the regular level. There are different drivers
 - 2) Functional: government relations and community affairs. Can you be more collective?
 - 3) Business Group: sustainability as a vision of the future. Bringing sustainability as part of the core strategy. Need access to resources
- Recognize the social sustainability of partnerships: companies leverage different stakeholders and make a concerted effort to address the issues of a particular setting

The key points delivered by **Mike Russill** are as follows:

- NGOs and business relations: "It is in the best interest of business to ensure that the resources they use and the communities they serve are sustainable" (The President of Coca-Cola)
- Business is part of the problem; therefore, it must be part of the solution
- NGOs and business need each other: NGOs bring a different set of skills
- Business isn't in this alone: business, government, NGOs, and other agencies are in it collaboratively
- Should work on a contract basis with NGOs
 - It sets the roles and responsibilities
 - Business sets the commitments and measurable targets (the hard metrics)
 - Don't go public with a partnership without commitment, including CEO sign-off
 - Need commitment to resources and long-term dialogue
 - Need operational results and commitment – should include in the performance and goals of management
 - Reserve the right to disagree with each other – preserves independence
- The goal: measurable results at transformative change – the three pillars include:
 - 1) Transforming practice and fostering solutions
 - 2) Outreach and communication
 - 3) Strategic philanthropy: stretch goals with money behind them. Increases the capacity for transformational change
- The process is a science and an art: the guiding principles of engagement are:
 - 1) Value

- 2) The right to publicly disagree
- 3) Management of resources
- An NGO may be the change initiator and facilitator, but engagement with an NGO is too much when it becomes a paid for contract
- Why select an NGO?
 - They work globally on a local basis
 - Possess wide expertise
 - Focus on solution implementation
 - Possess powerful outreach and communication
 - Have the ability to convene multiple actors
 - Hold the knowledge and tools to engage customers and staff
 - Understand business but are not business

Questions:

- To Mr. Mike Russill: In its enthusiasm to collaborate with the extractive sector, the WWF was severely chastised for it
 - *The WWF tries to move sectors and companies and that's a challenge*
 - *There are interesting dynamics in the NGO community: NGOs who are against solutions and those who are in favour of them*
 - *The objective was to effect transformational change*
- When is your independence is questioned
 - *You are at risk to criticize what companies may do when all of your funds are from one sector or company – need a wide range of support*
 - *An NGO must continue to communicate why and how it communicates with business and show good case studies*

Afternoon Refreshment Break sponsored by



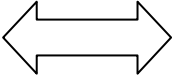
Building Capacity: How Companies and NGOs Can Strengthen their Organizations with Win-Win Partnerships

Moderator	Barb Steele, Advisor, Canadian Business for Social Responsibility
Panel	Marc Duchesne, Director, Corporate Responsibility & Environment, Bell Canada Dr. Jeffrey L. Sturchio, VP Corporate Responsibility, Merck & Co. (US) Hadley Archer, Director, Corporate Alliances, WWF Canada Lloyd Bryant, Vice-President and General Manager, Imaging and Printing Group, Hewlett-Packard Canada

How can we make this work? Resources are finite and scarce for business at the best of times, how much more when trying to align with a NGO organization to create a successful and rewarding partnership. This session attempted to address some of the reasons for partnering with a NGO organization and some insights into how such a partnership can be developed successfully.

Hadley Archer made the following points:

- 71% of Canadians feel that the primary role of NGO's is to work with businesses to help develop solutions to pressing social and environmental issues
- New technologies are presenting an incredible opportunity to use technology to reduce overall environmental footprints; however, there are also considerable savings to be realized through current technology
- NGO's can offer outside perspectives, increased employee moral and buy-in, technical expertise as well as insights and input from different stakeholder groups
- There is a tension when partnering with well-know NGO's as they are bringing a well known brand to the partnership and all the awareness that comes with that, as well as the responsibility to ensure the brand remains true even while developing a partnership

NGO Offering		Business Offering
Challenge Technical assistance Employee motivation Independent credibility Market promotion A recognized brand		Leadership Leverage or influence Consumer reach Funding A drive for solutions Brand

Marc Duchesne presented the following information:

- While the emissions and actual footprint for BELL are relatively low (0.03% of Canada's total emissions), when viewed through a lens of providing solutions, BELL has a huge role it can play, as can most businesses
 - Be a part of the solution
 - Improve efficiency of overall industry
 - Engage people
- Why work with a NGO partner?
 - Provide innovation and a new perspective on the current business
 - Specific strategies for reducing overall emissions
 - Lends credibility and validity to employee interactions and learning
 - Can help provide or develop a roadmap to achieve goals
 - Increased ways to communicate solutions to shareholders
 - Assistance with an appropriate awareness campaign
- NGO partnerships can help lead the way through new mindsets, new technologies and new alliances. If we are all in this together, we need to all be on the same page

Lloyd Bryant presented the following information:

- When evaluating the potential for environmental and societal impact, the entire supply chain must be included to provide a complete view of the massive impact business can have on these issues
- Corporate Social Responsibility is viewed as the "hidden component" of all HP products, even the founding vision was that the company exists to make a contribution
- NGO's are treated as an equal stakeholder and are dealt with using a structured approach to involve and engage them in the development of future strategies
- Key steps to success when involving NGO partners
 - Agree to objectives and goals at the outset
 - Ensure all partners understand the business and value drivers
 - Act in a like-minded manner
 - Engage in long-term partnerships
 - Provide proper senior support and appropriate staffing

Dr. Jeffery Sturchio made the following comments:

- Often outcomes cannot be achieved without partnerships and collaboration with outside groups or NGO's
 - For example, while MERC had developed a medicine to treat river blindness, it was not until they established partnerships with government, NGO's, and various other groups on the ground that they were able to distribute the medicine to those in need
- The complexity of most Corporate Social Responsibility issues is beyond the capacity of any one organization or business, it is becoming increasingly important to invest in relationships
- These relationships do require a business focus on results and the drive towards a solution, which represents a fantastic opportunity for involvement in the business community
- Partnerships should include the following:
 - Clear, common objectives
 - Recognizing the varying capabilities of different partners
 - A high level of commitment and engagement from all stakeholders
 - An integrated and tailored approach to the specific situation
 - On the ground experienced coupled with a drive for results

Questions:

- How are the very ambitious goals that have been presented being met?
Goals are often set in order to raise the bar and galvanize others to action; however, as things develop and technologies improve these goals become much more realistic and attainable.
- Any learning that can be shared from negative experiences?
Partnerships with a great vision statement but no deliverables or milestones tend to just keep dragging on with no real commitment or results. This is not a science, but a lot of the key ingredients listed previously are vital for a strong relationship. Differences in the culture of decision making within the different partner organizations require sharing of information and establishing of trust in order to overcome those barriers before being able to move forward.
- As an NGO partner, have there ever been cases where you have exited a relationship due to a lack of commitment or have partnered about one issue, but have felt the need to speak out about another issue within the partner organization?
Companies are complex. An effective relationship requires clarity about what is involved and what is not. Usually an NGO partner will (or should) try to privately engage the company or to structure the partnership that they are engaged with the company on multiple levels from the start. Neither party is perfect, but trust is very important.
The best way to maintain these relationships is to get aligned around the priorities but not the mechanisms. Key non-negotiable items need to be defined in order to be able to work together and share a vision, while keeping the partnership together even if methods differ.

Lorraine Smith begins the final portion of the presentation by introducing the Russian delegates who are here in the context of CBSR objective to facilitate bringing the Arctic nations together and then help them to learn from CSR practices in other Arctic nations. **Leonid Polishchuk** introduced all of the members of the Russian contingent. The delegation included a Foundation Director, scientists and corporate leaders.

A brief overview of CSR in Russia was given as follows:

- CSR is a relatively new phenomenon.
- One of the challenges is that the border between corporation and government is not “water tight” so it can make it difficult to initiate new thinking and change.
- There is a real range of social responsibility in Russian corporations - some are hyper responsible – 15 – 25% of sales on social programs but it is in response to government pressure (vs North American model where social responsibility is in response to stockholders, employees, customers etc.).
- While there are similarities between the two economies (i.e. : natural resource base, diverse and challenging geography etc.); there are many differences in the way business is conducted.
- The most important lessons that Russians can learn from Canada is to look very carefully at a style of CSR that emphasizes transparency, accountability and on-going dialogue, long term relationships with all stakeholders.
- CSR levels the playing field with other companies; will make competition within industry more productive.
- Thank you for the opportunity to attend.

Adine Mees closed out the formal part of the 2007 Summit with the following remarks:

- The 2007 Summit began on the topic of goals and benchmarks to mark our progress and moved on to identify the tools and the abilities to enact change.
 - The time to act is now.
 - Many corporations are not visible in the CSR arena
 - Attendees need to bring their peers to the table –
 - There is lots of opportunity to make a difference!
- Thank you to Wesley Gee, Advisor, CBSR for organizing a fabulous event!

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